No.

SUPREME COURT, U.S.
JUL 27 1989

IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

SUZUKI MOTOR CO., LTD. and
U.S. SUZUKI MOTOR CORPORATION,
Petitioners,

v.

DONALD G. RICHARDSON,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTIONS PRESENTED

1. Whether the United States Court of Appeals for the Federal Circuit, in reviewing the jury-tried patent issues in this case, violated the principles of the Fifth and Seventh Amendments and Rule 49 of the Federal Rules of Civil Procedure by overriding specific jury findings in petitioners' favor on the issues of validity and infringement of respondent's patent and assignment of petitioners' patent to respondent.

2. Whether the United States Court of Appeals for the Federal Circuit violated its acknowledged obligation to follow the procedural jurisprudence of the regional Circuit in which the case arose—as well as generally applicable principles requiring deference to trial court discretion and precluding appellate fact-finding—when it reversed the district court's grant of a new trial on certain trade secret claims notwithstanding the existence of specific grounds requiring affirmance under regional Circuit precedents.

PARTIES TO THE PROCEEDINGS IN THE COURT OF APPEALS

All parties in the Court of Appeals are listed in the caption of the case in this Court.[1] Petitioner U.S. Suzuki Motor Corporation is a wholly owned subsidiary of petitioner Suzuki Motor Co., Ltd., which is a publicly held corporation of Japan; there are no publicly held parent companies, subsidiaries or affiliates.

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[1] The additional companies listed as "defendants" in the caption of the Court of Appeals' opinion (App. 1a) were not parties to the proceedings in that Court, having settled before trial. See App. 9a.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Suzuki Motor Company, Ltd. and U.S. Suzuki Motor Corporation ("Suzuki") petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit entered February 16, 1989, which affirmed in part, reversed in part, vacated in part and remanded the judgment and partial new trial order entered by the district court after a jury trial.

OPINIONS BELOW

The opinion of the Court of Appeals (App. 1a) is reported as *Richardson* v. *Suzuki Motor Co., Ltd.* 868 F.2d 1226 (Fed. Cir. 1989). This case was tried to a jury, and the district court's oral opinion on the post-trial motions (App. 67a) is unreported.

JURISDICTION

The judgment of the Court of Appeals (App. 82a) was entered on February 16, 1989. A timely petition for rehearing was denied on March 29, 1989. App. 84a. The time within which to petition for certiorari was extended

by the Chief Justice, on June 19, 1989, to and including July 27, 1989. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS, STATUTES AND RULES INVOLVED

The Seventh Amendment to the United States Constitution provides as follows:

> In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

The Fifth Amendment to the United States Constitution provides in pertinent part that "No person shall . . . be deprived of . . . property, without due process of law. . . ."

35 U.S.C. § 102(f) provides in pertinent part that "A person shall be entitled to a patent unless—[*inter alia*] . . . he did not himself invent the subject matter sought to be patented. . . ."

35 U.S.C. § 103 provides in pertinent part that "A patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains."

Rule 49(b) of the Federal Rules of Civil Procedure provides as follows in pertinent part:

> The court may submit to the jury, together with appropriate forms for a general verdict, written interrogatories upon one or more issues of fact the decision of which is necessary to a verdict. . . . When the general verdict and the answers are harmonious, the appropriate judgment upon the verdict and answers shall be entered pursuant to Rule 58. When the answers are consistent with each other but one

> or more is inconsistent with the general verdict, judgment may be entered pursuant to Rule 58 in accordance with the answers, notwithstanding the general verdict, or the court may return the jury for further consideration of its answers and verdict or may order a new trial. When the answers are inconsistent with each other and one or more is likewise inconsistent with the general verdict, judgment shall not be entered, but the court shall return the jury for further consideration of its answers and verdict or shall order a new trial.

STATEMENT OF THE CASE

This litigation, brought in the United States District Court for the Central District of California under 28 U.S.C. § 1338(a) and thus subject to review in the Federal Circuit under 28 U.S.C. §§ 1295 and 1292(c), involves the respective rights of petitioners Suzuki and respondent Donald G. Richardson concerning an improved motorcycle suspension system. Although the proceedings below were lengthy—including forty-seven trial days—the factual background pertinent to the present petition is straightforward.

One of the patents in question (the '332 patent) had been issued to Richardson in 1975, covering a motorcycle suspension system with its parts arranged in such a manner as to produce a "rising rate"—*i.e.*, an increasing leverage on the spring as the suspension travels upward in response to a bump. See App. 3a-6a. In October 1978, Richardson entered into an Option and License Agreement with Suzuki, under which he would work with Suzuki to evaluate the adaptability of his suspension system to Suzuki motorcycles and would grant Suzuki an exclusive license if Suzuki determined that to be desirable. The Agreement contained, *inter alia*, an undertaking by Suzuki to maintain the confidentiality of technical information and know-how provided by Richardson, except for information previously known to Suzuki or at any time generally known to the public. See App. 6a-7a.

In April 1979, during the course of this trial period, Suzuki's major competitor Kawasaki announced production of motorcycles using a suspension system that Richardson described as structurally identical to his. A1327; A1105-07; A7744 [Ex. 3306; Ex. 909; Tr. 4744].[1] In October 1979, Suzuki was alerted to a prior patent issued to one Downs in 1916 (A7748 [Tr. 4748]) disclosing a motorcycle suspension system structure that investigation revealed to be virtually identical to that of Richardson's '332 patent (A4630-31 [Tr. 1630-31]). In November 1979 Suzuki's Japanese patent counsel rendered an opinion that Richardson's '332 patent was invalid over Downs. A800 ¶ 38 [Docket No. 359 p.51]. Having been beaten to the market by Kawasaki and having been advised that Richardson's patent would be unenforceable, Suzuki informed Richardson in December 1979 that it would not exercise its option for an exclusive license. A7959-60; A1505-06 [Tr. 4959; Ex. 4029]. Thus, the relationship between Suzuki and Richardson expired.

This litigation arose when Suzuki developed, manufactured and sold new models of its motorcycles using what it calls the "full floater" suspension. Richardson claimed that this suspension system infringed his '332 patent, that Suzuki had misappropriated eleven trade secrets disclosed when he and Suzuki were working together, that a patent obtained by Suzuki in 1984 on the "full floater" suspension system (the Tamaki patent, named after a Suzuki engineer) should be assigned to Richardson as the true inventor, and that Suzuki was guilty of breach of contract and fraud.

Following initial procedural steps that are not pertinent here (see App. 9a), these issues and others were

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[1] Record citations are given first to the appendix in the Court of Appeals ("A ——") and then in brackets to the trial transcript pages and exhibit numbers.

the subject of a bifurcated jury trial in the district court.[2] The first stage of the trial resulted in a multi-part "Special Verdict" on validity and infringement issues relating to Richardson's '332 patent (App. 48a). The second stage resulted in a multi-part "Special Verdict" on the trade secret claims, as well as on fraud and damages questions not pertinent to the present petition (App. 55a). Following these verdicts and post-trial motions, the district court entered final judgment under Fed. R. Civ. P. 54(b) to the effect that the '332 patent was valid and infringed, ordered a new trial on two trade secret questions that the jury had answered in Richardson's favor, and took other actions that are not pertinent to this petition. See App. 68a-76a. The trade secret new trial issues were brought to the Court of Appeals by certification under 28 U.S.C. § 1292(b). App. 77a-81a.

This petition focuses on the Court of Appeals' treatment of (1) the jury's findings on validity and infringement of the '332 patent, in particular with respect to obviousness and differences between the '332 suspension and the suspension used by Suzuki; (2) the jury's finding on inventorship of the Tamaki patent which the Court of Appeals ordered assigned to Richardson; and (3) the district court's grant of a new trial on the two trade secret claims (Items 5 and 6) which the Court of Appeals ordered reversed. In the paragraphs that follow, we set forth the pertinent proceedings in the district court and the Court of Appeals concerning each of these three subjects.

---

[2] The Court of Appeals gave some consideration to the function of a jury in a patent case. It concluded that it was appropriate to submit to a jury such issues as obviousness and anticipation and that verdicts on those issues have the same status as jury verdicts on any other issues. See App. 10a-12a. No party disputes this proposition.

A. The Jury's Findings And Verdict On Obviousness And Infringement

1. *Obviousness*

As the Court of Appeals noted, the alleged differences between Richardson's suspension system and those disclosed previously in the Downs patent and elsewhere were that the '332 patent shows (1) a pivoting spring element and (2) a rising rate. See App. 14a-15a. As to the first of these, the jury specifically found that

> "in 1974, [it] would . . . have been obvious to one of ordinary skill in the art that the lower part of the spring should be on a pivot, as opposed to being held in a rigid manner as shown in Figures 1 and 6 of Downs." (App. 51a)

Although the jury gave a negative answer to the question whether there had been prior disclosure of "an alignment of the linkage that would produce a rising rate throughout the permitted movement of the linkage," it specifically found, as to the second alleged difference, that:

> "in 1974, [it] would . . . have been obvious to a person of ordinary skill in the art that the Downs alignment of the linkage could be adjusted to produce a rising rate throughout the permitted movement of such linkage." (App. 51a)

The jury subsequently gave an affirmative answer to the general question whether "Under the facts and law as you believe that you understand them, do you find Claim 9 of the Richardson patent [the claim in issue] to be valid?" App. 52a. In ruling on the post-trial motions, the district court did not attempt to resolve the conflict between this general verdict of validity and the preceding specific findings of obviousness. Instead, the district court took the position that the question of obviousness was one for the court and not the jury, and proceeded to make its own finding, in disagreement with the jury, that Richardson's design was not obvious. See App. 69a.

The Court of Appeals held, correctly, that the district court could not properly override the jury's findings by treating them as merely advisory. App. 18a. However, it concluded that "we may view the court's agreement with the jury verdict of validity as supporting the court's denial of Suzuki's post-trial motions for judgment n.o.v. and for a new trial," and affirmed on the ground that "[o]ur review shows that there was substantial evidence on which reasonable jurors could have concluded that claim 9 had not been proved invalid for obviousness, and thus reached the verdict of 'valid'." *Id.* The Court of Appeals did not attempt to deal with, or even mention, the two specific jury findings of obviousness quoted above.

2. *Infringement*

The jury made a general finding that both of the Suzuki motorcycle models in issue infringed the Richardson patent "with the rising rate." App. 52a-53a. The jury went on, however, to give *negative* answers to the following two subquestions:

> "9(a)(1). In particular, is the defendant's linkage equivalent to the plaintiff's, bearing in mind that the bottom of the spring in the former is affixed to the swing arm rather than to the frame?" (App. 52a-53a)
>
> "9(b)(1). In particular, is the defendant's linkage equivalent to the plaintiff's, in light of the 'criss-cross' of the connecting rods and the bell crank in the defendant's model, as well as the spring attachment to the swing arm, as compared with the plaintiff's Claim 9?" (App. 53a)

The district court immediately questioned the jury concerning the inconsistency between these negative answers and its general verdict of infringement (A6253 [Tr. 4253]):

> "In other words, you found that the Suzuki Model M does use that same linkage-generated rising rate as

> does the Richardson device. But apparently you found, however, that the differences in the linkage in the Suzuki device were not equivalent to the plaintiff's linkage, because in the Suzuki device, the spring—the bottom of the spring is affixed to the swing arm rather than to the frame. And you found that not to be equivalent.
>
> "So, really, the only place in which the Suzuki device infringes the plaintiff's is in the obtaining of that linkage-generated rising rate.
>
> "(Jurors nod.)
>
> "THE COURT: And the same is true with respect to the Model C. All right.
>
> "(Jurors nod.)"

The district court returned to the issue later in the proceedings (A8799 [Tr. 5799]):

> "[L]et me tell you of the problem that your verdict has created.
>
> "You found that the Model type M does infringe and that's all right. You found, however, that with respect to the linkage, the defendants' Model M does not have linkage equivalent to the plaintiff's. Because of that, bearing in mind that the bottom of the spring in the defendants' Model M is affixed to the swing arm rather than to the frame, and that was really the only difference as far as the linkage was concerned, you found infringement just because the defendant uses substantially the same rising rate as does the plaintiff. You will recall that.
>
> "Now, you are looking quizzical. You do recall that, do you not?
>
> "THE JURY: Yes.
>
> "THE COURT: So the only infringement was in the fact that the defendants came up with the same rising rate . . . ."

At the post-trial hearing, the district court expressed the view that, in view of the differences the jury had

reasonably found between the '332 suspension and Suzuki's in its answers to subquestions 9(a)(1) and 9(b)(1):

> "Therefore, basically, *the patent was not infringed.* If the only infringement was in the fact that they both used a rising rate, as the jury said, that simply is not protectable. The rising rate was not new, and in Mr. Richardson's hand. The rising rate had been known and used, and therefore I am disposed to set aside the finding of infringement by the jury . . . and grant a new trial on the issue of infringement." (App. 69a-70a; emphasis added).

At the conclusion of the hearing, however, the district court stated without elaboration that "[c]ontrary to the thought I expressed when I came in here I am going to sustain the jury verdict on infringement, for whatever it is worth." App. 73a.

The Court of Appeals held that the district court had not correctly reconciled the jury's answers on the infringement issues. App. 20a-21a. It found its own way out of the dilemma, however, by simply asserting that

> "We discern no support in the record for the district court's conclusion that verdicts 9(a) and 9(b) meant that the rising rate was the only area of infringement." (App. 22a).

The Court of Appeals did not disagree with the district court's consistent conclusion that the rising rate by itself would not suffice to establish infringement. Thus, what the Court of Appeals did was simply to read out of the record the above quoted queries by the district judge to the jury and the jury's responses to those queries; indeed, it did not even mention them.

B. The Jury's Findings On The Tamaki Patent

The jury gave a negative answer to the following question:

"H. *Regarding Assignment of Patents.*

"1. Do you find that the Plaintiff, Richardson, is the real inventor of the invention shown in the Tamaki patents and patent applications?" (App. 66a)

The jury left unanswered the follow-up question on assignment, which was as follows:

"2. If so, do you find the facts to be such that it would be fair and equitable that defendants assign said patents and applications to Plaintiff?" (App. 66a)

These questions were proposed by Richardson *in haec verba*, over Suzuki's objection (A8904-11 [Tr. 5904-11]), and Richardson argued that both should be answered in the affirmative (A9013 [Tr. 6013]). The district court deemed the negative finding dispositive and denied the requested transfer of the Tamaki patent to Richardson. App. 72a, 75a. The Court of Appeals, however, dismissed the negative finding as irrelevant, saying that it did not necessarily mean anything more than that Richardson was perhaps a joint inventor with his associate Cazort. It then proceeded to order transfer of the patent in reliance on a separate jury finding—made in the context of Richardson's fraud claims (App. 63a-64a)—that the invention had first been disclosed to Suzuki and Tamaki by Richardson. App. 42a-45a.

In assessing the appropriateness of the Court of Appeals' interpretation of the jury's finding that Richardson was not the real inventor, it is pertinent to note that no theory of joint inventorship had been argued at the trial. It was only after the jury was excused that Richardson filed a "motion for judgment" asking, for the first time, for a finding that Richardson and Cazort were joint inventors of the Tamaki Patent. The district court denied that motion in the light of the jury's negative finding quoted above (A9097-98 [Tr. 6097-98]). The Court of Appeals did not mention this action by the district court or attempt to reconcile it with its own disposition of the assignment issue.

C. The District Court's Grant Of A New Trial On Trade Secret Items 5 and 6

The jury found that Items 5 and 6 were trade secrets and had been misappropriated by Suzuki.[3] App. 58a-59a. But based on evidence that Item 5 was generally known to the public and Item 6 was previously known to Suzuki, the district court held that a reasonable jury could not find them to be trade secrets and granted a new trial as to these items.[4] App. 70a-71a. As to Item 5, the district court's oral opinion granting the new trial noted, *inter alia*, that Suzuki personnel and Richardson were working together, that Suzuki was entitled to use "the best linkage arrangement it could find and it was not prevented from doing so because Richardson helped." As to Item 6, the district court stated that

> "my conclusion is the same. An alternate shock-absorbing mounting, I cannot conclude that a reasonable jury could find that to be a trade secret. That mounting had been done before. The fact that the spring and the shock absorber goes down through the swing arm had been done previously, done by Suzuki in 1973, as shown by Exhibit D in the defendant's brief [A. 1101 [Ex. 905]]." (App. 71a)

The Court of Appeals reversed and reinstated the verdict as to Items 5 and 6 on the basis of its own determination that the weight of the evidence showed that the information in question constituted valuable trade secrets which were not publicly known. App. 35a. In so finding, the Court of Appeals stated (App. 34a) that it was accepting the district court's invitation, in certifying the issue under § 1292(b), to answer the following questions:

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[3] Item 5 is directed to a design modification that enables extension of the rear wheel travel of the motorcycle; Item 6 relates to an alternate mount for the motorcycle spring/shock absorber.

[4] As noted at page 3, *supra*, the contract between Suzuki and Richardson precluded any protection for information previously known to Suzuki or to the public. Both items had previously been disclosed in published materials (A1149 [Ex. 1496]; A1168 [Ex. 1711]).

> "1. Were the plaintiff's asserted trade secrets Nos. 5 and 6: (a) Actually valid proprietary trade secrets, as the jury found and awarded very substantial royalties; or (b) Did the plaintiff's contributions in these respects represent no more than the services of a skilled mechanic, which readily could have been duplicated by the defendant, and which entitled the plaintiff only to quantum meruit compensation, as the court believes; or (c) Were the plaintiff's contributions no more than those contemplated under the option agreement and paid for by the defendant, as the defendant contends?"

The Court of Appeals did not comment on the district court's statements, in explaining his grant of a new trial, that Items 5 and 6 were previously known and that indeed Item 6 had previously been used by Suzuki.

REASONS FOR GRANTING THE WRIT

This case presents important fundamental issues concerning the proper function of the Court of Appeals for the Federal Circuit as an expert patent tribunal when it reviews factual determinations made by district court judges and juries in patent cases. This Court has previously exercised its supervisory authority in this regard by summarily vacating a decision of the Court of Appeals for the Federal Circuit for failure to apply the restrictive standard of review specified in Fed. R. Civ. P. 52(a) to a trial judge's nonjury findings of patent invalidity. *Dennison Mfg. Co.* v. *Panduit Corp.*, 475 U.S. 809 (1986). The present case raises similar but broader issues in the context of a jury trial, which implicate rights under the Seventh Amendment as well as Fed. R. Civ. P. 49.

The foregoing Statement and the argument to follow show, we submit, that the Federal Circuit has allowed its subject matter expertise over patents to overwhelm the "deference to the original finder of fact" that any court of appeals is required to observe and has, in effect, in-

appropriately made factual findings of its own. *Icicle Seafoods, Inc.* v. *Worthington*, 475 U.S. 709, 715 (1986), quoting from *Anderson* v. *Bessemer City*, 470 U.S. 564, 574 (1985). Moreover, the Court of Appeals has committed the related error of interfering with the district court's discretionary authority over the grant and denial of new trials under Fed. R. Civ. P. 59, in a manner that is at odds with the Ninth Circuit precedents it was obliged to follow. In short, we submit, the Federal Circuit has forgotten that it is a *reviewing body*, and that it is not free to substitute its own evaluation of the facts for the specific findings of a jury or to usurp the powers of a trial judge to supervise and implement the jury's findings.

This is not, it appears, an isolated instance of appellate intrusion upon jury verdicts in patent cases brought to the Federal Circuit. Counsel's analysis of the certiorari petitions in this Court seeking review of Federal Circuit patent decisions shows an unusual recurrence of complaints in this regard. In the period from October 1982, when the Federal Circuit was established, through 1989, 23 patent cases tried to a jury have resulted in certiorari petitions. In 9 of those cases—some 39%—the petitioner has complained of improper fact-finding on the part of the Federal Circuit.[5] The problem has, more generally, been a subject of concern to the patent bar. *See* Proceed-

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[5] The following petitions from Federal Circuit patent decisions in jury cases have been identified, with complaints raised about appellate fact-finding in those designated "(F)": 83-1827, 83-1839, 83-1913(F), 84-173, 84-546(F), 84-562, 84-975, 84-1195, 84-1221, 84-1568, 84-1858(F), 85-635, 86-55, 86-771, 86-896, 86-1083, 86-1994(F), 87-489(F), 87-882(F), 87-878(F), 88-67(F), 88-1773, 88-1936(F). In contrast, for a similar length of time when the regional circuits were deciding patent cases, from 1977 thruogh 1983, only 7 patent cases tried to a jury resulted in certiorari petitions, and only 2 complained of improper fact-finding by the regional Circuit. These were as follows: 77-155, 77-1628, 78-1150, 80-44(F), 82-1277(F), 82-572, 83-1238.

ings of the Fourth Annual Judicial Conference of the Federal Circuit, 112 F.R.D. 439, 609-19 (1986); Zarfas, *Treatment of Technological Issues On Appeal: Scope of Review*, 66 J. Pat. Off. Soc'y 407 (1984).

I. THE COURT OF APPEALS' DECISIONS IN PLAINTIFF RICHARDSON'S FAVOR ON VALIDITY AND INFRINGEMENT OF HIS '332 PATENT AND ON ASSIGNMENT OF THE TAMAKI PATENT IMPROPERLY OVERRIDE THE JURY'S SPECIFIC FINDINGS IN VIOLATION OF THE SEVENTH AND FIFTH AMENDMENTS AND THE FEDERAL RULES OF CIVIL PROCEDURE.

A. The judgment of validity cannot stand if Suzuki was correct in contending that the combination of elements claimed in the '332 patent—including the pivoting spring element and the rising rate—would have been "obvious at the time the invention was made to a person having ordinary skill in the art." 35 U.S.C. § 103; *Graham* v. *John Deere Co.*, 383 U.S. 1, 17-19 (1966); *see Dennison Mfg. Co.* v. *Panduit Corp.*, *supra*, 475 U.S. at 810-11. The jury found explicitly in Suzuki's favor as to the obviousness of both elements (p. 6, *supra*), and neither the district court nor the Court of Appeals challenged the correctness of these findings in any respect. Rather, the Court of Appeals simply ignored them and assumed findings to the contrary. This it was not free to do under the Seventh Amendment or the Federal Rules of Civil Procedure.[6]

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[6] The fact that the jury made a general finding in favor of validity did not permit the Court of Appeals to override the specific answers on obviousness, which as a matter of law negated validity. Rule 49(b) precludes acceptance of such a general verdict under these circumstances, and requires instead either a judgment for Suzuki or else a new trial: "When [as here] the answers are consistent with each other but . . . inconsistent with the general verdict, judgment may be entered pursuant to Rule 58 in accordance with the answers [*i.e.*, a judgment of invalidity], notwithstanding the general verdict, or the court may return the jury for

B. The Court of Appeals should not have reached the issue of infringement because there was no basis for a judgment of validity. But in any event, its determination of infringement unlawfully (and unconstitutionally) flies in the face of the jury's explicit acknowledgment, upon query by the district court, that the only "infringement" it found was in the "rising rate," which was not a protected invention. See p. 8, *supra*. *Parker* v. *Flook*, 437 U.S. 584, 593 n.15 (1978). Accordingly, the Court of Appeals' decision on infringement equally usurps the jury's fact-finding function in violation of the Seventh Amendment and the Federal Rules.

C. The Court of Appeals' award of the Tamaki patent to Richardson similarly depends upon appellate fact-finding at odds with the jury's specific findings. The Court of Appeals' forced reinterpretation of the finding that Richardson was not the real inventor (p. 10, *supra*) contradicts the interpretation of the district judge who presided over the trial and is patently made of whole cloth: Richardson's counsel, who proposed the language of this

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further consideration of its answers and verdict or may order a new trial." *See also, e.g., Auwood* v. *Harry Brandt Booking Office, Inc.*, 850 F.2d 884, 890-91 (2d Cir. 1988) ("proper deference to the parties' Seventh Amendment rights to a jury trial precludes entry of a judgment that disregards any material jury finding"); *Brunner* v. *Maritime Overseas Corp.*, 779 F.2d 296 (5th Cir.), *cert. denied*, 476 U.S. 1115 (1986); 9 Wright & Miller, Federal Practice and Procedure § 2510; *Gallick* v. *Baltimore & Ohio R.R.*, 372 U.S. 108, 119 (1963) and 124-26 (Stewart, J., dissenting).

The Federal Circuit also ignored the jury's findings on "secondary considerations", requested by Richardson, which do not support the general verdict of validity. The jury did not find that there was any long felt need for, or fulfillment by, the Richardson suspension (App. 52a). Regarding commercial success, the jury found that one of the accused motorcycles was *not* commercially successful (App. 53a) and that the commercial success of the other accused motorcycle was *not* "substantially attributable to" the asserted infringement (App. 54a). Nevertheless, the opinion below asserts that: "The [Suzuki] product achieved widespread commercial success." App. 8a.

question, had never proffered any theory of joint inventorship at the trial; and the jury's leaving blank the follow-up question on assignment (p. 10, *supra*) left no room for doubt of its understanding that it was answering the question crucial to Richardson's assignment claim, not some abstract and immaterial question about possible co-inventors. Even if the Court of Appeals were justified in taking out of context a finding on a different issue (see p. 10, *supra*), it has plainly erred in overriding the jury's specific finding in Suzuki's favor on the very issue in question.[7] Moreover, the Court of Appeals' order assigning the Tamaki patent, based as it is on that Court's own fact-finding on the patent ownership issue, deprives Suzuki of property without due process of law, in violation of the Fifth Amendment.

II. THE COURT OF APPEALS' REVERSAL OF THE GRANT OF A NEW TRIAL ON TRADE SECRET ISSUES IMPROPERLY INTERFERES WITH THE TRIAL COURT'S DISCRETION, VIOLATES THE REGIONAL CIRCUIT JURISPRUDENCE THAT THE FEDERAL CIRCUIT IS OBLIGATED TO FOLLOW ON NON-PATENT ISSUES, AND RESTS ON IMPROPER APPELLATE FACT-FINDING.

"The authority to grant a new trial . . . is confided almost entirely to the exercise of discretion on the part of the trial court." *Allied Chemical Corp.* v. *Daiflon, Inc.*, 449 U.S. 33, 36 (1980) (denying review by way of mandamus). The Court of Appeals for the Ninth Circuit—the region from which this patent case comes—has particularized further the deference owed to a trial court's determination to order a new trial based on the weight of the evidence, holding that "reversal is unwarranted unless the trial court abused its discretion with respect to *each* ground on which it based the order; *if any ground is reasonable, the order must be affirmed.*"

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[7] It is also pertinent to note that Richardson could not have been issued this patent in the face of the jury's determination that he was not the real inventor. See 35 U.S.C. § 102(f), quoted at page 2, *supra*.

Hanson v. *Shell Oil Co.*, 541 F.2d 1352 (9th Cir. 1976), *cert. denied*, 429 U.S. 1074 (1977) (emphasis added); *see also William Inglis & Sons Baking Co.* v. *ITT Continental Baking Co.*, 668 F.2d 1014, 1027 (9th Cir.), *cert. denied*, 459 U.S. 825 (1982); *Peacock* v. *Board of Regents*, 597 F.2d 163, 165 (9th Cir. 1979). The Federal Circuit has—correctly we believe—endorsed the principle that the law of the appropriate regional circuit should govern all but the substantive law fields assigned exclusively to the Federal Circuit, including specifically all procedural issues. *E.g.*, *Atari, Inc.* v. *JS&A Group, Inc.*, 747 F.2d 1422 (Fed. Cir. 1984, in banc); *Wahpeton Canvas Co.* v. *Frontier, Inc.*, 870 F.2d 1546, 1552 n.8 (Fed. Cir. 1989).

In the present case, the Federal Circuit violated both the general standard of review articulated by this Court and, even more clearly, the Ninth Circuit rule. The district court had premised its new trial order in substantial measure—if not principally—upon the clear evidence that the alleged trade secrets had previously been public and that Item 6 had in fact previously been used by Suzuki. See page 11, *supra*. Even without regard to the law of trade secrets, that evidence was enough to eliminate any trade secret claim by operation of the express terms of the contract between Richardson and Suzuki. See page 3, *supra*. The Court of Appeals did not challenge the correctness of the district court's premise, noting in this regard only that it found "substantial evidence before the jury that the information on items 5 and 6 was not publicly known." App. 35a. The Court of Appeals' reinstatement of the verdict as to Items 5 and 6 was thus in plain violation of the Ninth Circuit rule of deference to the trial court that the Court was obligated to follow, as well as an improper intrusion into the fact-finding process.[8]

[8] To the extent the Court of Appeals based its reversal of the new trial order on its own answers to the factual elements of the questions that the district court had purported to certify (see App.

CONCLUSION

Because the Court of Appeals for the Federal Circuit has committed fundamental errors of constitutional dimensions by overriding the specific jury verdicts in petitioners' favor, and because that Court has departed from controlling precedents by reversing the district court's order for a new trial based upon the evidence of record, this petition for a writ of certiorari should be granted.

Respectfully submitted,

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July 1989

34a and pp. 11-12, *supra*), it was engaging in *de novo* factfinding that is beyond the jurisdiction of an appellate court. Circuit Judge Nies was thus correct in dissenting from acceptance of the certification on the ground that "the questions presented are not 'controlling questions of law.'" App. 81a.

APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

87-1497, -1498, -1502,
88-1083, -1084

DONALD G. RICHARDSON,
Plaintiff/Appellant,

v.

SUZUKI MOTOR CO., LTD. and
U.S. SUZUKI MOTOR CORPORATION,
Defendants/Cross-Appellants,

KAWASAKI HEAVY INDUST. LTD., KAWASAKI MOTORS CORP., YAMAHA MOTOR CO., LTD., YAMAHA MOTOR CORP., U.S.A., KAYABA INDUSTRY CO., LTD. and KAYABA INDUSTRY CO., *Defendants.*

Appealed from U.S. District Court
for the Central District of California

Judge Gray

Decided: February 16, 1989

Theresa A. Middlebrook, Wagner & Middlebrook, of Glendale, California, and *Robert D. Driscoll*, Driscoll &

Tomich, of Glendale, California, argued for plaintiff/appellant. With them on the brief was *John E. Wagner.*

John A. Fogarty, Kenyon & Kenyon, of New York, New York, argued for defendants/cross-appellants. With him on the brief were *Richard S. Gresalfi* and *Dawn M. DiStefano.* Also on the brief were *Richard S. Rockwell,* of Tustin, California, *Duffern H. Helsing* and *Halina F. Osinski,* of Santa Ana, California, of counsel.

Before SMITH, *Circuit Judge,* SKELTON, *Senior Circuit Judge,* and NEWMAN, *Circuit Judge.*

NEWMAN, *Circuit Judge.*

This appeal and cross-appeal are from the judgment of the United States District Court for the Central District of California, and involve issues of patent validity, infringement, breach of contract, fraud, misappropriation of trade secrets, and several related issues.[1] We affirm in part, reverse in part, vacate in part, and remand.

The Invention

The invention that led to this litigation is a motorcycle rear-wheel suspension system that smooths the ride over rough terrain, of interest particularly in off-road motorcycle riding. The roughness of the ride is due to bumps and dips in the terrain, transmitted from the wheels to the frame. An optimum rear-wheel suspension will maintain tire contact with the ground despite deflection by irregularities, will avoid "bottoming out" (an unsafe rising of the suspension), yet will achieve a smooth ride without reduction in safety. In 1974 even the best available suspensions did not maintain adequate tire contact with the ground in conjunction with attempts to eliminate bottoming out.

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[1] *Richardson v. Suzuki Motors Co. and Suzuki U.S. Motors Corp.,* Nos. CV 80-2589-WPG and CV 82-3826-WPG (C.D. Cal. June 29, 1987 and July 13, 1987).

In mid-1974 Donald G. Richardson, a young mechanic in California, devised a solution to the problem, a modified suspension system that he installed in his own motocross motorcycle. Richardson replaced the conventional two-spring shock absorber suspension system with a system consisting of a single shock absorber plus a linkage consisting of a bell crank and connecting rod. This linkage generated a "rising rate" [2]—a characteristic critical to the issue—and produced a far superior ride, even as it eliminated the dangerous bottoming out. Richardson testified about his first ride, at a hilly construction site near his house, as "utopia. I mean it was incredible"; over hard bumps it was "uncanny because it was so smooth"; "[t]he rear end didn't kick up. It just didn't bottom out and stayed down"; an "unbelievable feeling".

On November 25, 1974 Richardson filed a United States patent application on his invention, and on September 23, 1975 the application issued as United States Patent No. 3,907,332 (hereinafter the '332 Richardson patent). Patent claim 9, which incorporates claim 1, is the only claim in suit. Claims 1 and 9 follow:

1. A suspension for two wheeled vehicles comprising:

   a frame for the vehicle comprising a generally closed shape including upper and lower portions and

   a swing arm pivotally connected to the lower portion of said frame;

   said swing arm comprising a pair of arms rotatably supporting a wheel about a horizontal axis generally at the end of said swing arm;

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[2] "Rising rate" was described by witnesses as follows: "As the suspension travels upward, the resistance to upward travel will increase"; and it "gets stiffer as the wheel moves up toward the vehicle or moves upward in the frame."

the pivotal mounting of said arm to said frame being about a generally horizontal axis whereby said wheel is both rotatable about its own horizontal axis and deflectable in a generally vertical direction about the axis of said swing arm;

spring means having a first end pivotally secured to said frame;

a link member including an intermediate point pivotally mounted on said frame about an axis, parallel to the axis of said swing arm at a point spaced therefrom;

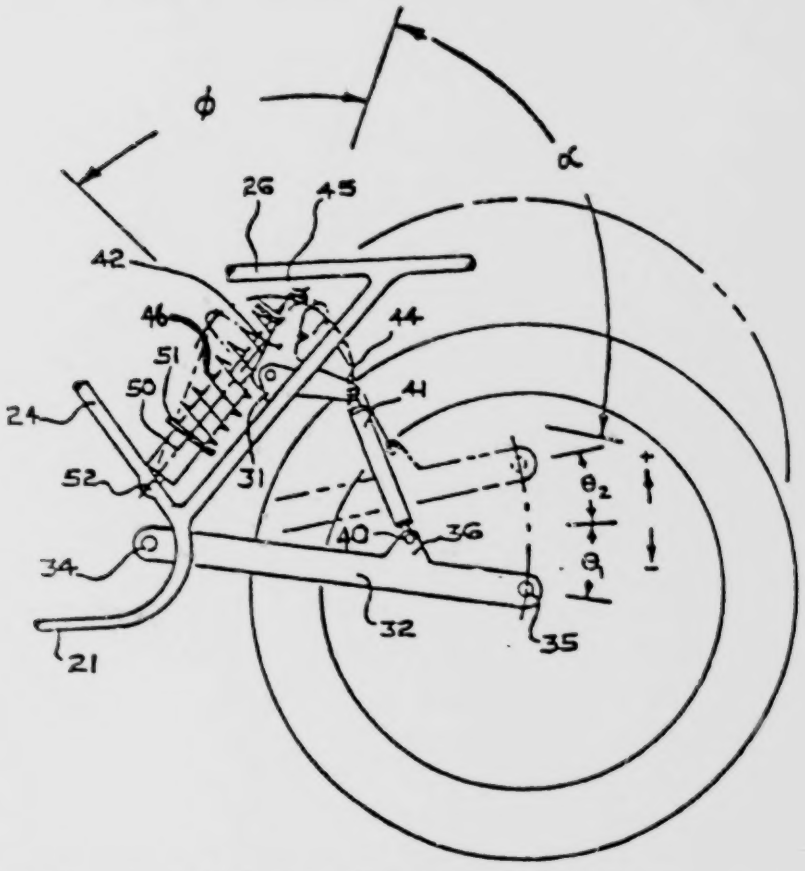
pivotal connection means between said link member and the second end of said spring;

a bar pivotally connected at one end to said swing arm and at the opposite end to said link member at a position spaced from said spring connection;

said spring, bar, swing arm and link connected whereby deflection of said swing arm displaces said bar and rotates said link member to compress said spring.

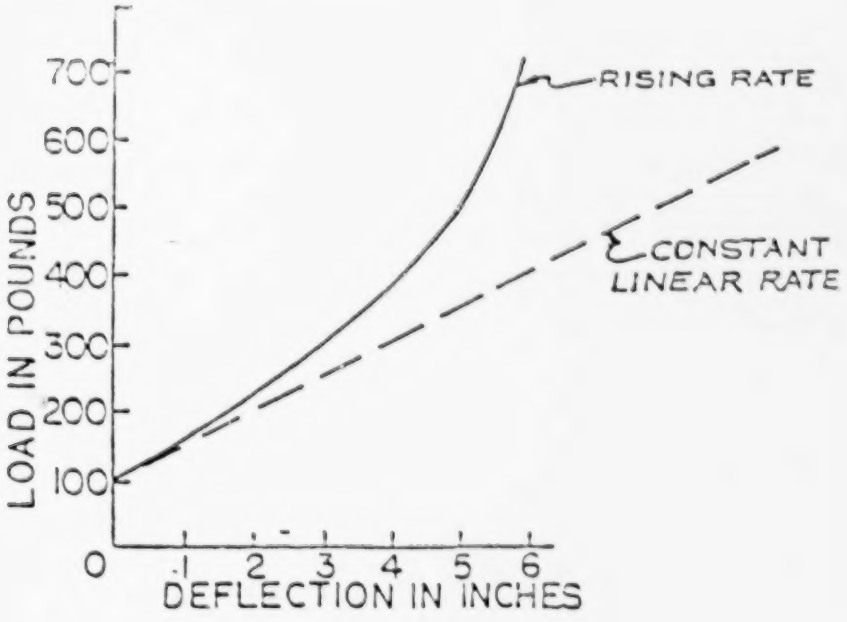
9. The combination in accordance with claim 1 wherein said assembly provides a rising spring rate as a function of deflection of said swing arm.

Figure 2 of the '332 patent specification is illustrative:



As the rear wheel is deflected upward by bumps in the terrain, the swing arm (32) that is pivotally connected at (34) to the motorcycle frame (21) rotates upward, pushing the compression rod (41) into the bell crank (42) that is pivotally secured (31) at its intermediate point to the motorcycle frame. The bell crank rotates on its pivot (31) and compresses, downward against the frame, a spring (46) that is pivotally connected at one end (45) to the bell crank, and at its other end (52) to the motorcycle frame. The interaction of these interconnected parts increases the force on the spring, increasing the rate of resistance to deflection of the wheel with increased

movement of the wheel. This varying resistance is the "rising spring rate" of claim 9, and is illustrated in Figure 5 of the '332 patent:



The Contract with Suzuki

In October 1978 Richardson entered into a one year Option and License Agreement with the Suzuki Motor Co., Ltd. of Japan ("Suzuki").

The Agreement gave Suzuki the exclusive right to test and evaluate Richardson's suspension, and the exclusive option to acquire an exclusive license to the '332 patent and Richardson's "proprietary technical information, know-how, inventions, and use data", collectively defined in the Agreement as the "Licensed Rights."

The Agreement required Richardson to disclose to Suzuki all technical information, know-how, inventions, use data and design specifications for his suspension, that he possessed or that he acquired during the option period. Suzuki agreed to preserve all such information in con-

fidence, and not to use any of it "for any purpose other than to evaluate for commercial feasibility of manufacture and marketing during the Option Period." Suzuki agreed that this obligation of confidence continued if Suzuki did not exercise the option. Excepted from the confidentiality obligation was all information previously known to Suzuki or at any time generally known to the public.

The Agreement required Richardson to make prototypes of his suspension system for Suzuki's evaluation. Richardson installed his suspension in Suzuki's sample 1978 and 1979 model production motorcycles, and disclosed to Suzuki the technical information and know-how that he possessed, including improvements and other information that he developed during this period. He met frequently with Suzuki engineers and other Suzuki personnel in the United States and in Japan to communicate this information and generally to improve performance and to facilitate testing and evaluation.

There was testimony at trial of initial incredulity on the part of Suzuki engineers concerning Richardson's suspension, of Suzuki's past failures in designing a suspension with the desired characteristics, and of Suzuki's favorable response to the performance of Richardson's suspension. The evidence included internal Suzuki documents made while Suzuki was testing Richardson's suspension, stating that it would "take a long time", perhaps three years, for Suzuki to develop a satisfactory suspension.

In early 1979 Richardson and a colleague Cazort conceived an improvement in the linkage-generated rising rate suspension, which they called the "Alternate Shock Mount" and which they disclosed to Suzuki, accompanied by drawings and blueprints made by Cazort. The difference from the structure described in the '332 patent is that in the Alternate Shock Mount the lower end of the spring is pivotally secured to the swing arm which is

pivotally secured to the frame, instead of being pivotally secured directly to the frame, resulting in increased strength.

In May 1979 Richardson's first prototype for Suzuki, wherein Richardson, aided by Cazort, installed his suspension in a Suzuki 1978 production model, was successfully tested in Japan. Testimony at trial included statements attributed to Suzuki's test riders that they could see the bumps but not feel them, and other commentary evidencing a highly favorable reaction to Richardson's suspension.

It was a stipulated fact that after these tests Suzuki made the decision to place the linkage-generated rising rate suspension system into production, and started development work for this purpose.

On October 16, 1979 Suzuki filed a patent application in Japan. The corresponding United States patent, filed on October 8, 1980, claims the Alternate Shock Mount suspension as disclosed by Richardson, and also claims a modification made by Suzuki called the "criss-cross". Suzuki named two of its engineers, Hirohide Tamaki and Manabu Suzuki, as the inventors.

Suzuki twice requested and was granted one-month extensions of its Option and License Agreement with Richardson. In December 1979 Suzuki informed Richardson that it would not exercise the option.

In March 1980 Suzuki began competitive racing in the United States of Suzuki motorcycles using the Alternate Shock Mount suspension, which Suzuki named the "Full Floater". Suzuki met with marked racing success, the Full Floater receiving favorable publicity and high acclaim from the public. Extensive advertising was directed to the Full Floater rising rate suspension. The product achieved widespread commercial success.

Suzuki denied any obligation to Richardson.

Litigation

Richardson brought suit against Suzuki (Japan) and the U.S. Suzuki Motor Corporation in California state court, and was granted a preliminary injunction restraining the Suzuki companies from breach of the Option and License Agreement and requiring them to comply with the confidentiality terms thereof. At Suzuki's request the state court declined to enforce the injunction after U.S. Suzuki sued Richardson in federal court, seeking a declaratory judgment of invalidity and non-infringement of Richardson's '332 patent.

In 1982 Richardson filed a patent infringement action against the Suzuki companies and others. (Only the Suzuki companies remain as parties.) Richardson reasserted the state claims of breach of contract, breach of implied covenant of good faith and fair dealing, misappropriation of trade secrets, and fraud, and among other relief requested assignment of the patents obtained by Suzuki on the Alternate Shock Mount. Suzuki counterclaimed for fraud and breach of contract by Richardson, based on asserted invalidity of the '332 patent.

The federal actions were consolidated and tried to a jury. After forty-seven days of a two-part trial the jury gave special verdicts on issues of liability and damages. The district court entered final judgment under Fed. R. Civ. P. 54(b) on the jury verdicts that the '332 patent was not invalid and was infringed by Suzuki, that nine of Richardson's eleven asserted trade secrets were not trade secrets, and that Richardson was not entitled to assignment of the Tamaki/Suzuki patents on the Alternate Shock Mount. The court also entered final judgment on the jury verdicts of damages for patent infringement and for Suzuki's use of certain of Richardson's information that the jury found were not trade secrets. The court denied prejudgment interest and attorney fees, and refused to grant an injunction.

The district court denied most of the parties' post-trial motions, but granted Suzuki's motion for a new trial on three issues that the jury had decided in favor of Richardson, upholding two of the eleven asserted trade secrets, finding fraud on the part of Suzuki, and assessing damages for fraud. The district court then entered a supplemental final judgment for immediate appeal of the issues that the court intended to retry, and certified three specific questions on these and related issues.

Validity of Richardson's '332 Patent

Suzuki asserts on appeal the invalidity of claim 9 on grounds of anticipation (35 U.S.C. § 102) and obviousness (35 U.S.C. § 103).[3] The district court, stating that questions of patent validity must be decided by the court, told the jury that its verdicts on this issue were advisory. Nevertheless the court duly entered the jury verdicts, including the answer YES to the question: "Under the facts and law as you believe that you understand them, do you find Claim 9 of the Richardson Patent to be valid?" The court entertained, and denied, post-trial motions for judgment n.o.v. and for a new trial on the question of validity. The court also independently decided the question, upholding validity of the '332 patent.

The record provided to us doesn't show the origin of this discredited procedure of advisory verdicts, or whether either party objected. In *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 895 n.5, 221 USPQ 669, 674 n.5, (Fed. Cir.), *cert. denied*, 469 U.S. 857 (1984), we observed that:

> The view suggested in *Sarkisian* [*v. Winn-Proof Corp.*, 688 F.2d 647, 651, (9th Cir. 1982), *cert. de-*

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[3] The additional aspects of adequacy of disclosure (35 U.S.C. § 112) and unenforceability for inequitable conduct, both decided in favor of Richardson, have not been appealed.

> *nied*, 460 U.S. 1052 (1983)], that a jury verdict on nonobviousness is at best advisory, would make charades of motions for directed verdict or JNOV under Fed. R. Civ. P. 50 in patent cases. These motions apply only to *binding* jury verdicts. . . .
>
> Moreover, use of an advisory jury is limited to actions not triable of right by a jury.

(emphasis in original, citations omitted). In a similar circumstance wherein the trial court and the jury independently decided the same jury question (in that case the question of willfulness of infringement) we remarked that "[a]ll fact findings of a jury are non-advisory, unless made in an area expressly removed from jury verdict." *Shiley, Inc. v. Bentley Laboratories, Inc.*, 794 F.2d 1561, 1568, 230 USPQ 112, 115 (Fed. Cir. 1986), *cert. denied*, 479 U.S. 1087 (1987).

It is established that the jury may decide the questions of anticipation and obviousness, either as separate special verdicts or en route to a verdict on the question of validity, which may also be decided by the jury. *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1547, 220 USPQ 193, 197 (Fed. Cir. 1983):

> No warrant appears for distinguishing the submission of legal questions to a jury in patent cases from such submissions routinely made in other types of cases. So long as the Seventh Amendment stands, the right to a jury trial should not be rationed, nor should particular issues in particular types of cases be treated differently from similar issues in other types of cases.

See also, e.g., Vieau v. Japax, Inc., 823 F.2d 1510, 1515, 3 USPQ2d 1094, 1098 (Fed. Cir. 1987); *Verdegaal Brothers Inc. v. Union Oil Co. of California*, 814 F.2d 628, 631, 2 USPQ2d 1051, 1052 (Fed. Cir.), *cert. denied*, 108 S. Ct. 95 (1987); *Data Line Corp. v. Micro Technologies, Inc.*, 813 F.2d 1196, 1200, 1 USPQ2d 2052, 2054 (Fed.

Cir. 1987); *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1571, 1 USPQ2d 1081, 1085 (Fed. Cir. 1986); *DMI, Inc. v. Deere & Co.*, 802 F.2d 421, 425-27, 231 USPQ 276, 279-80 (Fed. Cir. 1986); *Mainland Industries, Inc. v. Standal's Patents Ltd.*, 799 F.2d 746, 747-48, 230 USPQ 772, 773 (Fed. Cir. 1986); *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1560, 224 USPQ 259, 263 (Fed. Cir. 1984); *Quaker City Gear Works, Inc. v. Skil Corp.*, 747 F.2d 1446, 1454-55, 223 USPQ 1161, 1165-66 (Fed. Cir. 1984), *cert. denied*, 471 U.S. 1136 (1985); *Weinar v. Rollform Inc.*, 744 F.2d 797, 805, 223 USPQ 369, 372 (Fed. Cir. 1984), *cert. denied*, 470 U.S. 1084 (1985); *Perkin-Elmer Corp.*, 732 F.2d at 894-95, 221 USPQ at 674; *Envirotech Corp. v. Al George, Inc.*, 730 F.2d 753, 758, 221 USPQ 473, 477 (Fed. Cir. 1984); *Railroad Dynamics, Inc. v. A. Stucki Company*, 727 F.2d 1506, 1512-13, 220 USPQ 929, 935 (Fed. Cir.), *cert. denied*, 469 U.S. 871 (1984); *White v. Jeffrey Mining Mach. Co.*, 723 F.2d 1553, 1558, 220 USPQ 703, 705 (Fed. Cir. 1983) ("Submission of such a question of law [obviousness] to a jury, accompanied by appropriate instructions, is proper."), *cert. denied*, 469 U.S. 825 (1984). *See generally* H.T. Markey in *On Simplifying Patent Trials*, 116 F.R.D. 369, 370 (1987) ("There is neither reason nor authority for employing in a patent trial procedures and practices different from those employed in any other civil trial. Indeed, reason and authority mandate the contrary.")

Although the district court and the jury reached the same result, the standards by which appellate courts review the judgment differ, depending on whether it arose from a jury or a bench trial. *District of Columbia v. Pace*, 320 U.S. 698, 701 (1944) ("findings of fact by an equity court and the verdict of a jury have from time immemorial been subject to different rules of finality"). When the judgment arises from a jury verdict, the reviewing court applies the reasonable jury/substantial

evidence standard: a standard that gives greater deference to the judgment simply because appellate review is more limited, compared with review of a trial judge's decision. *Id.* at 702. As summarized in *Lavender v. Kurn*, 327 U.S. 645, 653 (1946), "the appellate court's function is exhausted when that evidentiary basis [of the jury's verdict] becomes apparent, it being immaterial that the court might draw a contrary inference or feel that another conclusion is more reasonable." *See generally* M.B. Louis, *Allocating Adjudicative Decision Making Authority Between the Trial and Appellate Levels: A Unified View of the Scope of Review, The Judge/Jury Question, and Procedural Discretion*, 64 N.C. L. Rev. 993 (1986).

The parties do not take a position on the district court's procedure, but appear to recognize that the issue of validity was properly for jury determination, for neither party refers to the district court's explanation of its independent determination of the question of obviousness.

In the interest of reaching an end to this protracted litigation, we have reviewed the judgment on the terms on which it reaches us. We have determined first whether Suzuki met its burden of showing on appeal that no reasonable jury could have reached the verdict of "valid" on the evidence before it. *Allen Organ Co. v. Kimball Int'l, Inc.*, 839 F.2d 1556, 1566, 5 USPQ2d 1769, 1777 (Fed. Cir.), *cert. denied*, 109 S. Ct. 132 (1988); *DMI, Inc. v. Deere & Co.*, 802 F.2d 421, 425, 231 USPQ 276, 278 (Fed. Cir. 1986); *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 618-19, 225 USPQ 634, 636 (Fed. Cir.), *cert. dismissed*, 474 U.S. 976 (1985). Then, on the premise that the parties may have waived their right to a jury trial on this question by failure to object to the district court's procedure, we have considered whether the district court's independent judgment of validity may be sustained, on the standards applicable thereto. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d

1561, 1566-68, 1 USPQ2d 1593, 1595-97 (Fed. Cir.) (obviousness determination in bench trial reviewed as a question of law based on underlying facts), *cert. denied*, 107 S. Ct. 2187 (1987).

The court correctly instructed the jury that invalidity must be proved by clear and convincing evidence, referring to the presumption of validity. *Perkin-Elmer Corp.*, 732 F.2d at 894, 221 USPQ at 674; *Jamesbury Corp. v. Litton Industrial Products, Inc.*, 756 F.2d 1556, 1559, 225 USPQ 253, 255 (Fed. Cir. 1985); *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360, 220 USPQ 763, 771 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984).

A. Anticipation

The district court correctly instructed the jury that an invention is anticipated if the same device, including all the claim limitations, is shown in a single prior art reference. Every element of the claimed invention must be literally present, arranged as in the claim. *Perkin-Elmer Corp.*, 732 F.2d at 894, 221 USPQ at 673; *Kalman v. Kimberly-Clark Corp.*, 713 F.2d 760, 771-72, 218 USPQ 781, 789 (Fed. Cir. 1983), *cert. denied*, 465 U.S. 1026 (1984). The identical invention must be shown in as complete detail as is contained in the patent claim. *Jamesbury Corp.*, 756 F.2d at 1560, 225 USPQ at 256; *Connell*, 722 F.2d at 1548, 220 USPQ at 198.

As prior art, Suzuki relied on the motorcycle suspensions described in certain patents to Downs and Warner, and on the race car wheel suspensions described for Tyrrell and McLaren race cars in two Road and Track magazine articles. Witnesses explained to the jury the similarities and differences between the invention of the '332 patent and each prior art reference. For example, the Downs suspension has a spring element that is rigidly attached to the motorcycle frame and does not pivot as is required by claim 9 of the '332 patent. The Warner reference shows a suspension having a bell crank that

is pivotally mounted to the motorcycle frame but not at an intermediate point, whereas Richardson requires a mid-point pivot of the bell crank to the frame. Neither Downs nor Warner describes a rising rate. The magazine articles describe a four wheel racing car suspension system having a linkage-generated variable rising rate incorporating a bell crank, but instead of the swing arm of Richardson's motorcycle suspension, the race car systems use an A-shaped arm mounted to the side of an upright wheel; and the bell crank and linkage in the race car system is located beside the wheel, rather than in front of the wheel as in Richardson's motorcycle system.

Witnesses testified that rising rate in motorcycles had previously been obtained only by progressively wound springs and gas operated shock absorbers. Suzuki argued that rising rate is inherent in the Downs and Warner motorcycle suspensions and expressly described for race cars in the magazine articles, and also that rising rate is merely a statement of function, and thus should not be a basis for distinction from the prior art.

The jury found that Downs did not "disclose each and every element of the Richardson Claims 1 or 9 or their equivalent". For the Warner reference, the jury could not reach a unanimous verdict on this same question, but answered NO to the question whether "the respective elements of Warner function in substantially the same way as the corresponding elements in Richardson to produce substantially the same results". The jury found that the race car suspensions did "disclose each and every element of the Richardson Claims 1 and 9 or their equivalent", but did not reach a unanimous verdict as to whether they "function in substantially the same way as the corresponding elements in Richardson to produce substantially the same results."

The jury had erroneously been instructed that anticipation may be shown by equivalents, a legal theory that

is pertinent to obviousness under Section 103, not to anticipation under Section 102. *Lewmar Marine, Inc. v. Barient, Inc.*, 827 F.2d 744, 747-48, 3 USPQ2d 1766, 1768 (Fed. Cir. 1987), *cert. denied*, 108 S. Ct. 702 (1988); *Connell*, 722 F.2d at 1548, 220 USPQ at 198. The jury requested a definition of "equivalent" during its deliberations, and was given the Webster's dictionary definition "corresponding or virtually identical, especially in effect or function." This narrow definition, which does not accord with that of *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 608 (1950), may have minimized the legal error in the instructions. In any event, the erroneous inclusion of equivalents in the anticipation inquiry favored Suzuki. The jury nonetheless answered YES to the special verdict: "Under the facts and law as you believe that you understand them, do you find Claim 9 of the Richardson Patent to be valid?"

On the totality of the evidence and in light of the jury instructions and answers, we conclude that a reasonable jury could have found that the patent was not invalid on grounds of anticipation. *Perkin-Elmer Corp.*, 732 F.2d at 894, 221 USPQ at 673-74 (review of presumed jury finding that anticipation not proved, based on jury verdict of validity).

Reviewing the analysis and decision of the district court, based on the same prior art, we discern no clear error in the court's conclusion that claim 9 was not invalid.

We affirm that claim 9 was not proved invalid on the ground of anticipation.

B. Obviousness

The issue of obviousness was vigorously litigated, Suzuki relying on the same Downs and Warner parents and magazine articles. The record shows that there was extensive testimony concerning the differences between

Richardson's suspension and the prior art. Suzuki argued at trial, and repeats on this appeal, that these differences are trivial mechanical expedients.

The jury, among its special verdicts on the *Graham* factors, found that a person of ordinary skill in the pertinent art could be any of: (1) a motorcycle mechanic without formal technical education, (2) a person with experience in working on suspension systems for racing automobiles, but without formal technical training, (3) suspension system instructors, (4) professional motorcycle riders, and (5) someone possessing above-average mechanical skills. Suzuki argues that such a person is of generally high mechanical skill, and to such a person Richardson's rising rate motorcycle suspension would have been an obvious "adaption" of the race car suspension systems, which "suggests itself quite plainly, since Downs and Warner incorporate bell cranks in their respective suspensions."

The jury was unable to reach a unanimous verdict on the question of whether a person of the level of skill found by the jury, presented with the problem and being familiar with all the prior art including these four specific references, but unaware of Richardson's device, would be "led to do" what Richardson did. In response to the ultimate question, as we have observed, the jury reached the unanimous verdict that "Under the facts and law as you believe that you understand them", claim 9 was "valid". The district court entered judgment on the jury verdicts, independently held the patent valid, and denied Suzuki's motions for judgment n.o.v. and for a new trial on the issue of validity.

The question for the jury was whether the challenger met the burden of proving invalidity by clear and convincing evidence; and the question on review is whether reasonable jurors could have concluded that the challenger failed to meet that burden. *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1571, 1

USPQ2d 1081, 1085 (Fed. Cir. 1986); *Perkin-Elmer Corp.*, 732 F.2d at 894-95, 221 USPQ at 674. The jury's lack of unanimity on certain special verdicts can reasonably be taken to mean, as the district court held, that invalidity had not been proved by clear and convincing evidence.

Our review shows that there was substantial evidence on which reasonable jurors could have concluded that claim 9 had not been proved invalid for obviousness, and thus reached the verdict of "valid". Although the district court erred in its belief that obviousness could only be presented to the jury for an advisory verdict, we may view the court's agreement with the jury verdict of validity as supporting the court's denial of Suzuki's post-trial motions for judgment n.o.v. and for a new trial. *Perkin-Elmer Corp.*, 732 F.2d 895, 221 U.S.P.Q. at 674-75. However it is viewed procedurally, no reversible error has been shown in the court's conclusion that obviousness had not been proved and that claim 9 was not invalid.

The judgment of validity is affirmed.

II

Infringement

Richardson bore the burden of proving infringement by a preponderance of the evidence. The district court correctly stated that the jury was the finder of the fact of infringement.

The jury rendered special verdicts as to the Suzuki motorcycles before it, Model M having the Richardson/Cazort Alternate Shock Mount and Model C having the "criss-cross" connection added by Suzuki, as follows:

> 9(a). Do defendant Suzuki's motorcycles of the Model M type . . . infringe Claim 9 of the plaintiff's patent?
>
> Answer: YES, WITH THE RISING RATE

9(b). Do defendant Suzuki's motorcycles of the Model C type . . . infringe Claim 9 of the plaintiff's patent?

Answer: YES, WITH THE RISING RATE

In subparts 9(a)(2) and 9(b)(2) of the special verdict the jury answered YES to the question whether the Suzuki motorcycles produce substantially the same rising rate as taught in Richardson's patent.

The principal question on appeal is the meaning and effect of the jury answers to subparts (1) of the special verdict, which were directed "in particular" to the Alternate Shock Mount and the criss-cross modifications:

9(a)(1) In particular, is the defendant's linkage equivalent to the plaintiff's, bearing in mind that the bottom of the spring in the former is affixed to the swing arm rather than to the frame?

Answer: NO

9(b)(1). In particular, is the defendant's linkage equivalent to the plaintiff's, in light of the "criss-cross" of the connecting rods and the bell crank in the defendant's model, as well as the spring attachment to the swing arm, as compared with the plaintiff's Claim 9?

Answer: NO

The district court entered judgment of infringement in favor of Richardson and denied post-trial motions by both sides, including a motion by Richardson to reopen the record in order to present evidence on the doctrine of equivalents. The district court stated that the jury verdicts mean that "infringement is limited to 'rising rate'" and that the Suzuki and Richardson linkages are not equivalent.

Suzuki argues that special verdicts 9(a)(1) and 9(b)(1) require judgment of non-infringement; or as a mini-

mum, that these verdicts are inconsistent with the verdicts of infringement in 9(a) and 9(b), such that a new trial is required of the entire issue. Richardson states that the verdicts can be understood, when viewed in light of the jury instructions, in a way that supports the judgments of infringement. Suzuki did not request a new trial on the basis of inconsistent verdicts at the time the judgments were entered, while Richardson moved, unsuccesssfully, to amend or delete verdicts 9(a)(1) and 9(b)(1). Each party asserts that any inconsistency should be resolved in its favor.

The Ninth Circuit, in accordance with the general rule, requires trial and appellate courts to seek reconciliation of apparently inconsistent verdicts:

> When faced with a claim that verdicts are inconsistent the court must search for a reasonable way to read the verdicts as expressing a coherent view of the case, and must exhaust this effort before it is free to disregard the jury's verdict and remand the case for a new trial.

Toner v. Lederle Laboratories, 828 F.2d 510, 512 (9th Cir. 1987), *cert. denied*, 108 S. Ct. 1122 (1988) (citing *Gallick v. Baltimore & Ohio R.R.*, 372 U.S. 108, 119 (1963), also citing *Atlantic & Gulf Stevedores, Inc. v. Ellerman Lines, Ltd.*, 369 U.S. 355, 364 (1962) and *Blanton v. Mobil Oil Corp.*, 721 F.2d 1207, 1213, (9th Cir. 1983), *cert. denied*, 471 U.S. 1007 (1985)). *See also Allen Organ Co.*, 839 F.2d at 1563, 5 USPQ2d at 1775 (the appellate court must make every effort to harmonize the jury's answers).

The district court did not find the special verdicts inconsistent, apparently in the belief that the jury limited infringement to the rising rate provision of claim 9 but not the other claim clauses. This accords with the court's statement to the jury that the infringement was "minor" because it was limited to the rising rate. This interpre-

tation pleased neither party. If we have correctly understood it, it is incorrect as a matter of law.

"We are bound to find the special verdicts consistent if we can do so under a fair reading of them." *Toner*, 828 F.2d at 512. A fair reading of the special verdicts results from simply applying the rule that "[t]he consistency of the jury verdicts must be considered in light of the judge's instructions to the jury." *Toner*, 828 F.2d at 512. The instructions on infringement, and the specific questions asked by special verdict, were designed to resolve the issues raised at trial. There was testimony on both sides of Suzuki's assertion that its suspension was not the same as Richardson's because it produced a different rising rate. We referred *supra* to special verdicts 9(a)(2) and 9(b)(2):

> 9(a)(2). Does defendant's Model M produce rising rate substantially the same as the rising rate produced under the teachings of the plaintiff's patent?
>
> Answer: YES
>
> 9(b)(2). Does defendant's Model C produce rising rate substantially the same as the rising rate produced under the teachings of the plaintiff's patent?
>
> Answer: YES

Another special verdict in the infringement section asked the jury:

> 11. Does claim 9 of the Richardson Patent describe the invention of a rising rate in terms of what the invention will do rather than in terms of physical arrangement?
>
> Answer: NO

We conclude that the answer "yes, with the rising rate" in verdicts 9(a) and 9(b) is the jury's response to Suzuki's argument, rather than as a finding that only

the rising rate claim limitation, and no other, is embodied in the Suzuki suspensions.

We discern no support in the record for the district court's conclusion that verdicts 9(a) and 9(b) meant that the rising rate was the only area of infringement. Structure corresponding to every element of every clause of claims 1 and 9 was identified by witnesses as embodied in the accused motorcycles. There was no real dispute that of the nine or eleven elements in these claims (depending on how counted), all but one were literally present. The dispute centered on one element, the attachment of the spring in the claim clause "spring means having a first end pivotally secured to said frame", since this was the clause affected by the modifications of the Alternate Shock Mount and the criss-cross. In the Alternate Shock Mount, as we have discussed, the spring is pivotally secured to a swing arm that in turn is pivotally secured to the frame, instead of being pivotally secured directly to the frame as is shown in the '332 specification.

Richardson argues that the spring can be either directly or indirectly pivotally secured to the frame, without avoiding literal infringement of the claim. Richardson alternatively argues that on a correct definition of the doctrine of equivalents, citing *Graver Tank*, 339 U.S. at 608, these securements are equivalent because the structures are substantially the same and perform substantially the same function in the same way.

The jury had been given the dictionary definition that "equivalent" means "corresponding or virtually identical, especially in effect or function". This definition was reinforced by the phrasing of verdicts 9(a)(1) and 9(b)(1), wherein the question itself instructed the jury on the difference between the linkages, while remaining silent on the similarities.

This presentation was highly prejudicial. Indeed, these verdicts well illustrate the truism that the way a que-

tion is asked can direct the answer. "The decision to submit interrogatories, and the precise language in which they are couched, can have an untoward effect on a verdict, if certain elements of the trial or the evidence are thereby overly emphasized in the jury's mind." *Weinar v. Rollform Inc.*, 744 F.2d 797, 809, 223 USPQ 369, 376 (Fed. Cir. 1984), *cert. denied*, 470 U.S. 1084 (1985).

Further, and equally prejudicial, special verdicts 9(a)(1) and 9(b)(1) isolated this specific claim element so that it was removed from the perspective that is obtained only when the claimed invention is viewed in its entirety. *See, e.g., Hughes Aircraft Co. v. United States*, 717 F.2d 1351, 1363, 219 USPQ 473, 482 (Fed. Cir. 1983). We recently reemphasized in *United States Steel Corp. v. Phillips Petroleum Co.*, No. 88-1166, -1167, -1168, -1169, -1170, -1171, slip op. at 13-14 (Fed. Cir. Jan. 10, 1989), in discussing *Graver Tank*, that there is no error in considering "the principle of the claimed invention".

A device that embodies improvements on a claimed structure does not automatically avoid the reach of the claim. *See, e.g., Atlas Powder Co. v. E.I. du Pont de Nemours & Co.*, 750 F.2d 1569, 1580, 224 USPQ 409, 417 (Fed. Cir. 1984) (separately patentable improvement may also be an equivalent under the doctrine of equivalents); *A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700, 703, 218 USPQ 965, 967-68 (Fed. Cir. 1983) (infringement not avoided "merely by adding elements"), *cert. denied*, 464 U.S. 1042 (1984). Each case must be decided on its particular facts, viewing the changes in the accused structure in light of the claimed invention. *See generally Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 934-35, 4 USPQ2d 1737, 1739 (Fed. Cir. 1987), *cert. denied*, 108 S. Ct. 1226 (1988), and *cert. denied*, 108 S. Ct. 1474 (1988); *Texas Instruments, Inc. v. United States Int'l Trade Comm'n*, 805 F.2d 1558, 1569-70, 231 USPQ 833, 840 (Fed. Cir. 1986), *reh'g denied*, 846 F.2d 1369, 6 USPQ2d 1886 (Fed. Cir. 1988);

We conclude that the jury verdicts, viewed in light of the instructions, held that the Suzuki motorcycles with a rising rate infringed claim 9. We also conclude that on correct instructions no reasonable jury could have found that the claimed invention and the accused structures are not equivalent, on the established facts of record, applying the correct law of *Graver Tank*. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986) ("The mere existence of a scintilla of evidence in support of the plaintiff's position will be insufficient; there must be evidence on which the jury could reasonably find for the plaintiff."); *Pullman-Standard v. Swint*, 456 U.S. 273, 291-92 (1982) ("where findings [by the district court] are infirm because of an erroneous view of the law, a remand is the proper course unless the record permits only one resolution of the factual issue"); *Dana Corp. v. IPC Limited Partnership*, 860 F.2d 415, 419, 8 USPQ2d 1692, 1696 (Fed. Cir. 1988) (when there are sufficient established facts of record, appellate court has discretion to determine the merits of JNOV motion.)

The jury verdicts of infringement are supported by substantial evidence, and are upheld. The judgment of infringement is affirmed.

III

Damages for Patent Infringement

As damages for patent infringement the jury assessed a royalty of fifty cents per motorcycle. Richardson states that this royalty is unreasonably low, and resulted from erroneous and prejudicial jury instructions. We review the award on the reasonable jury/substantial evidence standard. *Shatterproof Glass Corp.*, 758 F.2d at 627-28, 225 USPQ at 643-44.

The court told the jury: "Now, I will sustain, I will uphold your verdict [of infringement], but in determining damages and determining any royalty, it seems

to me that you must consider that the infringement was a relatively minor infringement." This instruction derived, as we have discussed, from the erroneous interpretation of the verdicts as limited to the "rising rate" clause. We must determine whether this erroneous instruction was prejudicial to the jury's assessment of damages. The Ninth Circuit has stated that "we will reverse a judgment because of a mistake in jury instructions only if the error was prejudicial." *Smiddy v. Varney*, 665 F.2d 261, 265 (9th Cir. 1981), *cert. denied*, 459 U.S. 829 (1982).

35 U.S.C. § 284 provides that damages shall be "adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer". *Fromson v. Western Litho Plate and Supply Co.*, 853 F.2d 1568, 1574, 7 USPQ2d 1606, 1612 (Fed. Cir. 1988). The jury was told that a royalty of $2.00 per motorcycle with an annual minimum of $70,000 had been agreed to by Suzuki and Richardson in the Option and License Agreement. There was testimony of much higher royalties paid by others for similar contributions to motorcycles. Suzuki presented testimony that the $2.00 in the agreement does not apply, but should be the starting point for reducing the royalty because the infringement was minor.

We must assume that the jury followed the court's instruction that the infringement was minor. That instruction was a misinterpretation of the jury verdict of infringement, and it usurped the role of the jury. Absent this prejudicial instruction there was no reasonable basis on which reasonable jury could have found that fifty cents was a reasonable royalty.

The judgment of damages for patent infringement is vacated. We remand for retrial of the question.

IV

Richardson's Technical Information

Issues relating to Richardson's technical information were presented at trial on the legal theories of breach of contract and the tort of misappropriation of trade secrets. The district court concentrated the tort issues in presentation to the jury, apparently accepting Suzuki's position that it had complied with its contractual obligations to Richardson. The court thus required that Richardson prove the existence of legally protectible trade secrets and their misappropriation by Suzuki.

In the only special verdict on the contract issues, the jury found that Suzuki did not violate its duty of good faith and fair dealing in its relationship with Richardson. The jury instructions on the contractual relationship, however, are pertinent to, and intertwined with, the trade secret issues.

A. *The Contractual Relationship*

In matters of contract law and interpretation we apply the discernable law of the state of California. *Universal Gym Equipment, Inc. v. ERWA Exercise Equipment Ltd.*, 827 F.2d 1542, 1550, 4 USPQ2d 1035, 1040 (Fed. Cir. 1987). At trial Richardson pressed, unsuccessfully, the California law that a convenant of good faith and fair dealing is implied between parties to a contract. *Seaman's Direct Buying Service, Inc. v. Standard Oil Co.*, 36 Cal. 3d 752, 768, 686 P.2d 1158, 1166, 206 Cal. Rptr. 354, 363 (1984) ("It is well settled that, in California, the law implies in *every* contract a covenant of good faith and fair dealing." (Emphasis in original)).

The contract between Richardson and Suzuki was explained at trial, including the clause wherein Suzuki agreed not to use or disclose the "technical information, know-how, inventions, use data, and design specifications" that it received from Richardson. In discussing whether

Suzuki was restrained in its post-contract use of Richardson's information, the district court at first instructed the jury that Suzuki was entitled by law "to use the most efficient means, even though they got it from plaintiff", stating that only "valid trade secrets" were subject to the contractual restraints:

> And then after Suzuki's election not to take a license, of course, they were not supposed to use the plaintiff's trade secrets. That's what the contract says. And once again, you're going to have to determine whether these eleven were valid trade secrets. To what extent did the defendant use them, to what extent would the defendant otherwise have developed them.
>
> Now, some of these trade secrets refer to the best alignments and designs. Well, it seems incongruous to say to the defendant they cannot use the best because the best was intentionally disclosed by the plaintiff, and even though experimentation by the defendant surely would have revealed the best as the patent says that it would.
>
> Were the defendants precluded from using the best or were they obliged to use something less efficient. I can't conceive of the defendants not being entitled to use the most efficient means, even though they got it from the plaintiff.

The court later qualified this position by referring to reverse engineering as being improper—although it is far from clear what a reasonable jury would have understood from the court's instructions:

> But on further reflection, I have to acknowledge that if you find there was a confidential relationship or contract that prohibited Suzuki from using the plaintiff's trade secrets, technical information or know-how, inventions or use data that the plaintiff

> gave them, unless it exercised the option, if you find those things to be true, I suppose it would be improper for Suzuki to reverse engineer from Richardson's prototypes, or from trade secrets or other information that he gave them.
>
> The defense of reverse engineering does not apply to the information received in confidence or whereas here the information is given under a contract.

Reviewing these instructions in the context of the contract and trade secret questions that were before the jury, we conclude that the jury was incorrectly instructed on the law. *See Bulgo v. Munoz*, 853 F.2d 710, 714 (9th Cir. 1988) (quoting *Los Angeles Memorial Coliseum Comm'n v. National Football League*, 726 F.2d 1381, 1398 9th Cir.), *cert. denied*, 469 U.S. 990 (1984)) (instructions reviewed to determine "whether, viewing the jury instructions as a whole, the trial judge gave adequate instructions on each element of the case to ensure that the jury fully understood the issues.")

In *Universal Gym Equipment*, 827 F.2d at 1549, 4 USPQ2d at 1040, we affirmed liability under California law based on breach of contract, when the parties contracted to limit the use by the recipient of "features, designs, technical information, or know-how" disclosed under the contract. We also affirmed that such a contractual arrangement is not incompatible with the patent law, *id.* at 1550, 4 USPQ at 1041, an issue on which the district court in Richardson's case also appears to have been misled, and to have misled the jury. *See Components for Research, Inc. v. Isolation Products, Inc.*, 241 Cal. App. 2d 726, 730, 50 Cal. Rptr. 829, 832 (Cal. Dist. Ct. App. 1966) ("The judgments here but affords protection against the use of plaintiff's trade secrets by those to whom they had been disclosed in confidence. Whether the idea was patented or not plaintiff is entitled to such protection").

The district court erred in law, in limiting the scope of protected information beyond that set forth in the contract, and in its instructions to the jury as to Suzuki's obligations. These errors are reflected in the trade secret issues.

B. The trade secret isssues

The jury, despite the excessively restrictive instructions on what were trade secrets, found that certain items that Suzuki had received from Richardson were trade secrets and had been misappropriated, and assessed damages therefor. The jury also assessed damages for use by Suzuki of certain other items that did not "rise to the dignity of trade secrets", in the words of the special verdicts.

Richardson specified eleven items that he had disclosed to Suzuki under the contract, and that he asserted to be trade secrets; to wit: (1) the optimal characteristics of a motorcycle rear-wheel suspension shock absorber, showing three external adjustments, (2) engineering drawings of his proposed and furnished suspension systems, (3) 1978 and 1979 Suzuki motorcycles modified by Richardson with his rising rate suspension, (4) specific force-velocity curves needed to obtain the advantages of Richardson's invention in Suzuki's motorcycles, (5) design modifications to extend rear wheel travel over earlier rising-rate designs, (6) design of the Alternate Shock Mount including drawings and knowhow, (7) the optimum use and types of certain bearings in the suspension, (8) motorcycle testing and tuning criteria, (9) his bell crank designs and design criteria, (10) adjustments in the angles and dimensions of the parts of the suspension and their effect on performance, and (11) the straight line tublar motorcycle frame.

The California law of trade secrets follows the Restatement definition:

> A trade secret may consist of any formula, pattern, device or compilation of information which is used

> in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it . . . . Generally it relates to the production of goods, as, for example, a machine or formula for the production of an article.

By-Buk Co., 163 Cal. App. 2d at 166, 329 P.2d at 152, 118 USPQ at 553, citing Restatement (First) of Torts, § 757 comment b (1939). The court in *By-Buk Co.* reaffirmed "plaintiff's right not to have its [trade secret] processes wrongfully disclosed to others and used to its detriment." *Id.* at 167, 329 P.2d at 153, 118 USPQ at 553.

The burden of proof was placed on Richardson to prove that his information met the legal requirements of a protectible trade secret. *Forro Precision, Inc. v. International Business Machines Corp.*, 673 F.2d 1045, 1056-57, USPQ 299, 305-6 (9th Cir. 1982). This in turn required "either a covenant or a confidential relationship" as a premise of relief. *Futurecraft Corp. v. Clary Corp.*, 205 Cal. App. 2d 279, 283, 23 Cal. Rptr. 198, 207-208 (Cal. Dist. Ct. App. 1962) (discussing elements of trade secret protection). Richardson met this requirement through his contractual convenant.

The district court told the jury, several times, that because Suzuki might have developed or could have developed on its own the information it received from Richardson, such information can not be protected as a trade secret. The court said: "Now I think we must assume that the defendant could have accomplished whatever the plaintiff may have contributed toward the development of Models M and C." Whatever the validity of the proposed assumption as to Suzuki's abilities, the court's conclusion is contrary to California law:

> It is not necessary in order that a process of manufacture be a trade secret that it be patentable or be

> something that could not be discovered by others by their own labor and ingenuity.

By-Buk Co., 163 Cal. App. 2d at 166, 329 P.2d at 152, 118 USPQ at 553. Nor does the possibility of independent discovery relieve Suzuki of liability:

> "[S]ecret formulas and processes * * * are property rights which will be protected by injunction, not only as against those who attempt to disclose or use them in violation of confidential relations or contracts express or implied, but as against those who are participating in such attempt with knowledge of such confidential relations or contract, though they might in time have reached the same result by their own independent experiments or efforts."

Id. at 167, 329 P.2d at 153, 118 USPQ at 553-54 (quoting *Herold China & Pottery Co.*, 257 F. 911, 913 (6th Cir. 1919)). Indeed, Suzuki did not argue that it had actually developed on its own information that it first received from Richardson. Although Richardson adduced evidence that Suzuki had been unable to solve this problem, it is not relevant what Suzuki might have been able to do on its own. Ninth Circuit law upholds trade secret status even had the same information been obtainable from other sources. *Clark v. Bunker*, 453 F.2d 1006, 1010, 172 U.S.P.Q. 420, 423 (9th Cir. 1982) (trade secrecy "is not negated because defendant by an expenditure of effort might have collected the same information from sources available to the public.") (footnote omitted).

The court also erroneously instructed the jury that "slavish" copying is necessary for misappropriation, and that an exercise of independent judgment would remove the information from protection. The court instructed the jury to consider: "Were they secrets. And, second, did the defendants slavishly use them or did they make up their own minds." These views are contrary to California law. "[D]efendants cannot escape responsibility

by showing that they have improved upon or modified the plaintiff's process." *By-Buk Co.*, 163 Cal. App. 2d at 169, 329 P.2d at 154, 118 USPQ at 554. The court observed in *Sinclair v. Aquarius Electronics, Inc.*, 42 Cal. App. 3d 216, 222, 116 Cal. Rptr. 654, 659, 184 USPQ 682, 684 (Cal. Ct. App. 1974) that minor variations are to be expected.

Suzuki argued to the jury, and repeats on appeal, that information that Richardson developed after issuance of the '332 patent, including the Alternate Shock Mount, is barred from trade secret status because it was generally disclosed in Richardson's patent or known to the general public, or because it merely implements the patented invention.

The legal status of information and improvements made after a patent application has been filed is independent of the presence, or absence, or the patent application of ensuing patent. The information and improvements may be separately patentable; they may be preserved in confidence and disclosed only in accordance with argreement; and they are protected against misappropriation in accordance with the laws of contract and tort. The court misstated the law in telling the jury that the jury could decide whether Richardson could have both a valid patent and legal protection for later-developed information on the patented invention:

> So on the one hand [Richardson] says the ordinary person skilled in the art can take this patent and use it and make a machine based upon it. But, on the other hand, he says, however, the experimentation and the ability to do this constitutes trade secrets for which you must pay me. Now, that constitutes a dilemma and it's up to you to determine the extent to which Mr. Richardson may claim as trade secrets things that the ordinarily prudent person skilled in the art should be able to do on his own.

The district court's phrase "should be able to do on his own" may explain its misperception of the law. It is not known what Suzuki was able to do on its own, for Suzuki not only sought Richardson's knowhow, improvements, data, and information, but also agreed to respect the confidentiality thereof. This information is intellectual property in the eyes of the law, and is protected in accordance with law. *See generally Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 493 (1974). *See also Components for Research, Inc.*, 241 Cal. App. 2d at 730, 50 Cal. Rptr. at 832 (whether the product design was patented or not, plaintiff is entitled to trade secret protection for manufacturing process); *Sinclair*, 42 Cal. App. 3d at 225, 116 Cal. Rptr. at 660, 184 USPQ at 686 ("Trade secret law encourages invention in areas where patent law does not reach"). *Accord Thermotics, Inc. v. Bat-Jac Tool Co., Inc.*, 541 S.W.2d 255, 261, 193 USPQ 249, 253 (Tex. Civ. App. 1976) (post-patent improvement protectable under trade secret law); *Franke v. Wiltschek*, 209 F.2d 493, 495, 99 USPQ 431, 433 (2d Cir. 1953) (immaterial that defendants could have derived trade secrets from expired patent).

It is apparent that the court imposed a higher standard for trade secret status than is contained in California law. The court's instructions, commentary, and phrasing of the special verdicts not only placed a prejudicially heavy burden on Richardson, but also demeaned the information itself.

Despite this prejudicial environment, the jury found that items 5 and 6 were trade secrets and had been misappropriated by Suzuki, and assessed damages therefore. The jury also found that items 1-4 and 7-11 were not trade secrets, and that for some but not all of these items compensation should be awarded based on "benefit from the plaintiff's knowledge and from the time and effort expended by him."

The district court granted Suzuki's motion for a new trial with respect to items 5 and 6, and upheld the jury verdicts with respect to items 1-4 and 7-11.

C. The new trial of items 5 and 6

The grant of a new trial is ordinarily not reviewable, but on this issue the district court entered final judgment for purposes of appeal, and certified three questions. The first certified question is:

> 1. Were the plaintiff's asserted trade secrets Nos. 5 and 6: (a) Actually valid proprietary trade secrets, as the jury found and awarded very substantial royalties; or (b) Did the plaintiff's contributions in these respects represent no more than the services of a skilled mechanic, which readily could have been duplicated by the defendant, and which entitled the plaintiff only to quantum meruit compensation, as the court believes; or (c) Were the plaintiff's contributions no more than those contemplated under the option agreement and paid for by the defendant, as the defendant contends?

We respond to this question: From the record before us the jury verdict that items 5 and 6 met the requirements for trade secret protection was supported by the great weight of the evidence. Richardson and Cazort testified about the design modifications that were the subject of item No. 5 and the Alternate Shock Mount subject of item No. 6. The Alternate Shock Mount was considered sufficiently novel and valuable that Suzuki included it in a patent application filed in Japan and later in the United States. The record does not negate the jury's determination of the value of this information. According to California law it is immaterial what Suzuki could have done, for it chose to use Richardson's information, which it obtained under restraint.

In further response, we remark that the relation between the parties, set by contract, was a routine commercial arrangement wherein Richardson agreed to facilitate Suzuki's testing and evaluation of Richardson's invention. This did not convert Richardson's work in adapting his invention to Suzuki's motorcycle into the work of a hired technician whose work product was automatically owned by Suzuki. The proprietary nature of the work done and information provided by Richardson was established by agreement, as was the agreement that Suzuki would not use this information if it did not exercise its option.

There was substantial evidence before the jury that the information on items 5 and 6 was not publicly known, that Suzuki agreed to receive and preserve it in confidence, and that the information fully satisfies the statutory and jurisprudential requirements for protectible trade secrets.

In order to vacate the jury's verdict upholding items 5 and 6 as trade secrets and grant a new trial thereon, the trial court must find that the jury's verdict "is contrary to the clear weight of the evidence, or is based upon evidence which is false, or to prevent, in the sound discretion of the trial judge, a miscarriage of justice." *Hanson v. Shell Oil Co.*, 541 F.2d 1352, 1359 (9th Cir. 1976), *cert. denied*, 429 U.S. 1074 (1977) (quoting *Moist Cold Refrigerator Co. v. Lou Johnson Co.*, 249 F.2d 246, 256, 115 USPQ 160, 168-69 (9th Cir. 1957), *cert. denied*, 356 U.S. 968 (1958)); *William Inglis & Sons Baking Co. v. ITT Continental Baking Co., Inc.*, 668 F.2d 1014, 1027 (9th Cir. 1981), *cert. denied*, 459 U.S. 825 (1982). It is insufficient that the district court would simply have reached a different verdict.

Our review requires determination of whether the district court abused its discretion in its decision to grant the new trial. *Id. See Transgo, Inc. v. Ajac Transmis-*

sion Parts Corp., 768 F.2d 1001, 1014, 227 USPQ 598, 602 (9th Cir. 1985), *cert. denied*, 474 U.S. 1059 (1986) ("the grant or denial of either a motion for a new trial or a motion to amend the judgment must be reviewed on the basis of a determination of whether the district court abused its discretion.") *See generally Seattle Box Co. v. Industrial Crafting & Packing, Inc.*, 756 F.2d 1574, 1581, 225 USPQ 357, 363 (Fed. Cir. 1985) ("Abuse of discretion may be established by showing that the district court either made an error of law, or a clear error of judgment, or made findings which were clearly erroneous.") The district court's statements, for example with respect to item 5, "I simply cannot conclude that that is a trade secret. It was an attempt to help Suzuki adapt the Richardson concept to the Suzuki machine . . .", reflect an error of law.

Despite the legal error in the instructions, as we have discussed, any prejudice resulting therefrom favored Suzuki, not Richardson. We conclude that the district court exceeded its discretionary authority in vacating the jury verdict and ordering a new trial. That action is reversed, and the jury verdict is reinstated as to items Nos. 5 and 6, including the damages assessed for items Nos. 5 and 6.

D. Items 1-4 and 7-11

For asserted trade secrets Nos. 1-5 and 7-11, the jury may well have been led by erroneous instructions into applying an incorrect legal standard, in finding that these items were not trade secrets. It appears, however, that Richardson did not move for judgment n.o.v. or a new trial on these verdicts. Although there is a hint in the post-trial colloquy that the court intended or was willing to retry all the trade secret issues along with items 5 and 6, this does not satisfy the rule, supported by logic, that the formalities of post-trial motions be respected. *Snellman v. Ricoh Co.*, 836 F.2d 528, 534, 5 U.S.P.Q.2d

1341, 1346 (Fed. Cir. 1987) (applying Ninth Circuit law in holding that motions for judgment n.o.v. and for a new trial must be made). Thus we have no authority to review these verdicts.

By special verdict the jury was also asked to assess damages for Suzuki's use of the information encompassed in each of items 1-4 and 7-11, even if the information did not "rise to the dignity of trade secrets". The jury determined this sum for each item, some at $0, the highest at $25,000, for a total of $104,000. The district court sustained this award, on a theory of "quantum meruit compensation". Both parties appeal this award Richardson asserting its inadequacy, and Suzuki arguing that Richardson was fully paid for his information in the option agreement, and is not entitled to damages for Suzuki's use of any information received from Richardson.

We have rejected, as a matter of law, Suzuki's theory that it is entitled to use, free, the information disclosed by Richardson under the option agreement. Richardson's disclosures were made under terms that prohibited their use by Suzuki if the option was not exercised. This contract provision does not depend on whether the information is a trade secret, but only on whether it was previously known to Suzuki or generally known to the public, as discussed *ante*.

An appellate tribunal is abjured to determine whether a jury verdict can be sustained, on any reasonable theory. *Jaffke v. Kunham*, 352 U.S. 280, 281 (1957) ("A successful party in the District Court may sustain its judgment on any ground that finds support in the record.")

There was substantial evidence at trial whereby a reasonable jury could have determined the sums awarded by this jury. Indeed, Suzuki does not challenge the valuations of the damage awards for items 1-11, arguing instead that nothing at all is owing.

The judgment as to items 1-4 and 7-11 is affirmed, including damages assessed for these items in the total amount of $104,000.

V

Injunction

The district court, having entered final judgment that the Suzuki Full Floater suspension infringed claim 9 of the '332 patent, denied Richardson's motion for injunction.

Infringement having been established, it is contrary to the laws of property, of which the patent law partakes, to deny the patentee's right to exclude others from use of his property. 35 U.S.C. § 261. "[T]he right to exclude recognized in a patent is but the essence of the concept of property". *Connell*, 722 F.2d at 1548, 220 USPQ at 198 (citing *Schenck v. Nortron Corp.*, 713 F.2d 782, 218 USPQ 698 (Fed. Cir. 1983)).

It is the general rule that an injunction will issue when infringement has been adjudged, absent a sound reason for denying it. *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281, 6 USPQ2d 1277, 1283 (Fed. Cir. 1988). Suzuki has presented no such reason. This court stated in *H.H. Robertson Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 390, 2 USPQ2d 1926, 1929-30 (Fed. Cir. 1987), when reviewing an injunction granted *pendente lite*:

> In matters involving patent rights, irreparable harm has been presumed when a clear showing has been made of patent validity and infringement. *Smith International*, 718 F.2d at 1581, 219 USPQ at 692. This presumption derives in part from the finite term of the patent grant, for patent expiration is not suspended during litigation, and the passage of time can work irremediable harm.

We observe that the '332 patent will expire in less than four years, that litigation started over eight years ago,

and that the district court remarked that further proceedings could consume "several years".

Further, a misappropriator of trade secrets has no authorization of right to continue to reap the benefits of its wrongful acts. Richardson is entitled to an injunction against Suzuki's continuing use of trade secrets Nos. 5 and 6. *By-Buk Co.*, 163 Cal. App. 2d at 167, 329 P.2d at 153, 118 USPQ at 553-54; *Components for Research, Inc.*, 241 Cal. App. 2d at 730, 50 Cal. Rptr. at 832.

The denial of Richardson's request for injunction is reversed. On remand the district court shall enter appropirate injunctive relief.

VI

Fraud

The jury found by special verdicts that Suzuki fraudulently induced Richardson to reveal his trade secrets by concealing its intention not to exercise its option or take a license, and that Suzuki fraudulently concealed from Richardson the fact that it was developing the Full Floater "with the intention of declining to exercise the option and then nevertheless to utilize the plaintiff's trade secrets in the full floater". The jury also found fraud in that Suzuki filed the Tamaki patent application "in the knowledge that the invention asserted therein (the spring/swing arm connection) was first disclosed to them by Richardson". The jury awarded Richardson $20,000 in compensatory and $100,000 in punitive damages.

The district court vacated the judgment and ordered a new trial. Suzuki asserts that the court should have granted Suzuki's motion for judgment n.o.v. instead of ordering a new trial, while Richardson asserts that the court should have upheld the jury verdicts.

The district court certified the question of how to treat its belief that Suzuki did not commit the offenses of fraud

and concealment found by the jury, including the question of punitive damages. We first must consider whether a reasonable jury could have reached the verdicts here reached. *Lavender v. Kurn*, 327 U.S. at 653. Apt is the statement of the Ninth Circuit in *Crocker-Citizens Nat'l Bank v. Control Metals Corp.*, 566 F.2d 631, 635 (9th Cir. 1977): "Courts are not free to reweigh the evidence and set aside the jury verdict merely because the jury could have drawn different inferences or conclusions or because judges feel that other results are more reasonable", quoting *Cockrum v. Whitney*, 479 F.2d 84, 86 (9th Cir. 1973), in turn quoting *Tennant v. Peoria & P. U. Ry. Co.*, 321 U.S. 29, 35 (1944).

The record shows that there was testimony, based on certain of Suzuki's documents, on which a reasonable jury could have supported these verdicts. There were issues of credibility, and inferences that could reasonably have been drawn in a manner adverse to Suzuki. "The credibility of witnesses and the weight of the evidence are issues for the jury and are generally not subject to appellate review." *Benigni*, 853 F.2d at 1525. While the district court may have believed that Suzuki did not commit fraud, review shows that the requirements for vacating the jury verdicts and relitigating the issue were not met. *Hanson*, 541 F.2d at 1359; *William Inglis*, 668 F.2d at 1027. A fresh trial is not warranted simply because the district court would have reached a different verdict.

A jury assessment of punitive damages is not excluded in circumstances such as those here presented, where the jury expressly found fraud. *Tri-Tron Int'l v. Velto*, 525 F.2d 432, 437, 188 USPQ 177, 181 (9th Cir. 1975) ("where compensatory damages are sought and awarded, the court has power, on a proper record, to award punitive damages"), citing *Clark v. Bunker*, 453 F.2d 1006, 1012, 172 USPQ 420, 424 (9th Cir. 1972), in turn citing *El Rancho, Inc. v. First Nat'l Bank*, 406 F.2d 1205, 1218

(9th Cir. 1968), *cert. denied*, 396 U.S. 875 (1969) (jury verdict awarding punitive damages was supported by evidence of malice) and *Davenport v. Mutual Benefit Health & Accident Ass'n*, 325 F.2d 785, 787 (9th Cir. 1963) (remand for trial to allow evidence of fraud to support claim of punitive damages.)

The district court correctly instructed the jury as to the law, stating that "it's only if you find that the defendants' conduct stem from malice, oppression, fraud or bad faith that you can find any punitive damage at all." As stated in *In re Innovative Construction Systems, Inc.*, 793 F.2d 875, 889, 230 USPQ 94, 104 (7th Cir. 1986):

> [A] breach of faith underlies every trade secret claim. However, establishing that breach alone is insufficient to warrant an award of punitive damages; one must also demonstrate that the defendant acted wantonly, willfully, or in reckless disregard of the plaintiff's rights. (Citations omitted)

See also Neal v. Farmers Insurance Exchange, 21 Cal. 3d 910, 928, 582 P.2d 980, 986, 148 Cal. Rptr. 389, 395 (1978) ("In order to justify an award of exemplary damages, the defendant must be guilty of oppression, fraud or malice. (Civ. Code § 3294.) He must act with the intent to vex, injure or annoy, or with a conscious disregard of the plaintiff's rights") (quoting *Silberg v. California Life Insurance Co.*, 11 Cal. 3d 452, 462, 521 P.2d 1103, 1110, 113 Cal. Rptr. 711, 718 (1974)); *Reynolds Metals Co. v. Lampert*, 316 F.2d 272, 275 (9th Cir. 1963), *cert. denied*, 376 U.S. 910 (1964) (in jury trial, evidence to justify punitive damages must show injury was done maliciously or willfully and wantonly or committed with bad motive or recklessly); *Transgo, Inc.*, 768 F.2d at 1024 (The determination to award punitive damages was "within the exclusive province of the jury") (quoting *Runge v. Lee*, 441 F.2d 579, 584, 169 USPQ 388, 392 (9th Cir.), *cert. denied*, 404 U.S. 887 (1971)).

The jury having found by special verdicts that Suzuki acted fraudulently, the requisite intent was established. "We give the trial judge and jury wide discretion in assessing punitive damages." *Hatrock v. Edward D. Jones & Co.*, 750 F.2d 767, 772 (9th Cir. 1984). The jury's award was not "so disproportionate to the damages sustained as to be the result of passion or prejudice". *Id.* (citing *Neal*, 21 Cal. 3d at 928, 582 P.2d at 990, 148 Cal. Rptr. at 399). *Transgo, Inc.*, 768 F.2d at 1024 ("We will not overturn such an award unless it appears that the jury was influenced by passion or prejudice.") (citing *Harmsen v. Smith*, 693 F.2d 932, 947 (9th Cir. 1982), *cert. denied*, 464 U.S. 822 (1983)).

We answer the certified question that, in this case, neither a new trial nor judgment n.o.v. was warranted. The order of a new trial on this issue is vacated. The judgment on the jury verdicts of fraud and the award of compensatory and punitive damages is reinstated.

VII

The Tamaki Patent

Richardson states that Suzuki fraudulently patented the Alternate Shock Mount that had been disclosed to Suzuki by Richardson and Cazort, in a patent that also described the "criss-cross" modification developed at Suzuki There was evidence and argument on the factual premises, including the absence of supporting documentation on the part of the named inventors Hirohide Tamaki and Manabu Suzuki, the earliest record on their behalf being dated October 1979. The corresponding Japanese patent application was filed on October 16, 1979.

The jury rendered the following special verdicts:

> C-3. Did Suzuki and/or Mr. Tamaki file the Tamaki patent application in the knowledge that the inven-

tion asserted therein (the spring/swing arm connection) was first disclosed to them by Richardson:

Answer: YES

H-1. Do you find that the Plaintiff, Richardson, is the real inventor of the invention shown in the Tamaki patents and patent applications?

Answer: NO

It was not significantly disputed at trial that claims 1 through 8 of the Tamaki corresponding United States Patent No. 4,457,393 cover the Alternate Shock Mount of Richardson and Cazort, and that claim 9 includes the criss-cross embodiment of Tamaki and Suzuki. (The scope of claim 5 is raised, but is not material to our conclusion.)

The district court denied Richardson's post-trial motion that the Tamaki patent be assigned to Richardson. In colloquy with counsel the court explained that it could not do so because "the jury said Richardson wasn't the inventor". Indeed it was conceded, and discussed at trial, that Richardson and Cazort, not Richardson alone, invented the Alternate Shock Mount. Cazort, as well as Richardson, testified at length on this structure. Special verdict H-1 that Richardson is not "the real inventor" is in accord with the co-inventor status of Cazort, and also with the Japanese contribution of the criss-cross embodiment.

The force of special verdict C-3 is not diminished. This verdict was not challenged on appeal. "It was further the duty of the court to direct the appropriate judgment to be entered upon the special verdict." *Traders and General Insurance Co. v. Mallitz*, 315 F.2d 171, 175 (5th Cir. 1963). The district court having failed to implement this verdict, Richardson's motion for judgment and for assignment of the Tamaki patents was not out of order.

The remedy of assignment of the Tamaki patents is a different question from whether Richardson is a sole or joint inventor. The correction of inventorship is an administrative step, and is not before the court. Similarly, the presence of a further modification in one or two claims of the patent directed to the Alternate Shock Mount does not negate the imposition of an equitable remedy. To hold otherwise would ratify and indeed reward the wrongdoing.

Based on the jury verdict, Richardson is entitled to ownership of the patents as against Suzuki. Such remedy is appropriate under the circumstances; *see, e.g., Colgate-Palmolive Co. v. Carter Products, Inc.*, 230 F.2d 855, 865, 108 USPQ 383, 391 (4th Cir.), *cert. denied*, 352 U.S. 843 (1956) (corporate assignee of patent application ordered to assign to original holder of trade secrets all rights to patent applications based thereon); *De Long Corp. v. Lucas*, 176 F. Supp. 104, 134 (S.D.N.Y. 1959), *aff'd*, 278 F.2d 804 (2nd Cir.), *cert. denied*, 364 U.S. 833 (1960) (when an employee has acquired patents on inventions developed by his former employer, "the courts will hold the wrongdoer to be a constructive trustee of the property misappropriated and will order a conveyance by the wrongdoer to the former employer"); *Becher v. Contoure Laboratories, Inc.*, 279 U.S. 388 (1929) (same); *Saco-Lowell Shops v. Reynolds*, 141 F.2d 587, 598, 61 USPQ 3, 13 (4th Cir. 1944) (requiring assignment of patent based on ideas received by licensee from licensor in confidence during development of invention for market).

Suzuki argues that Richardson has no remedy other than by seeking an interference in the United States Patent and Trademark Office with his own invention, and presumably by taking similar actions, if such are available, in other countries. We do not agree. The courts are not powerless to redress wrongful appropriation of intellectual property by those subject to the courts' jurisdiction.

The denial of Richardson's motion for judgment is reversed. Suzuki shall assign to Richardson the patents filed by Suzuki that include the Richardson/Cazort invention of the Alternate Shock Mount, in all countries. We remand to the district court for the purpose of implementing compliance.

VIII

Prejudgment Interest

The district court denied Richardson's request for prejudgment interest on both the patent infringement and the trade secret damage awards. Prejudgment interest is the rule governing this class of award. *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655, 217 USPQ 1185, 1188 (1983); *Lummus Industries, Inc. v. D.M. & E. Corp.*, 862 F.2d 267, 274, 8 USPQ2d 1983, 1988 (Fed. Cir. 1988); *Fromson*, 853 F.2d at 1573-74, 7 USPQ2d at 1611; *Boi-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 807 F.2d 964, 967, 1 USPQ2d 1191, 1193 (Fed. Cir. 1986), *cert. denied*, 107 S. Ct. 3187 (1987).

No exceptional circumstances having been shown, and no reason why damages for misappropriated trade secrets should be treated differently from damages for patent infringement, the denial of prejudgment interest is reversed.

IX

Willful Infringement and Exceptional Case

The district court refused to submit the question of willful infringement to the jury, stating that Richardson had not provided sufficient evidence to go to the jury.

To refuse to give an issue to the jury is to direct a verdict in favor of the opposing party. Thus we review the district court's ruling on the standard of "whether the evidence permits only one reasonable conclusion after viewing the evidence in the light most favorable to the non-moving party and drawing all inferences in favor

of that party." *Bulgo v. Munoz*, 853 F.2d 710, 714 (9th Cir. 1988) (citing *Peterson v. Kennedy*, 771 F.2d 1244, 1256 (9th Cir. 1985), *cert. denied*, 475 U.S. 1122 (1986)). *See also Connell*, 722 F.2d at 1546, 220 USPQ at 197.

Richardson refers to the evidence adduced in connection with the jury verdicts of fraud, to the verdicts of misappropriation of trade secrets 5 and 6, to the absence of any opinion of United States counsel concerning validity of the '322 patent when Suzuki started its infringing activity, and to evidence from Suzuki's records tending to show bad faith. Viewing this evidence in the light most favorable to Richardson, and drawing all reasonable inferences in his favor, there was sufficient evidence to take to the jury, for the evidence does not require a verdict in favor of Suzuki. Absent sufficient basis for directing the verdict, Richardson has the right of jury determination of his factual question. Willfulness of behavior is a classical jury question of intent. *Shiley*, 794 F.2d at 1568, 230 USPQ at 115; *Hammerquist v. Clarke's Sheet Metal, Inc.*, 658 F.2d 1319, 1325-26, 212 USPQ 481, 486 (9th Cir. 1981), *cert. denied*, 460 U.S. 1052 (1983). When trial is had to a jury, the issue should be decided by the jury.

We remand for this purpose. The jury's findings on the issue of willfulness will be pertinent not only to the question of multiplication of damages under 35 U.S.C. § 284, but also to determination of whether this is an exceptional case in terms of 35 U.S.C. § 285. Entitlement under California Civil Code § 3426 et seq. may also be considered.

X

Other Arguments

Both sides have raised many points in their briefs, disputing most aspects of the proceedings. We have considered all arguments in reaching our conclusions.

Costs

The award by the trial court of only one third costs to Richardson, in view of the judgments in his favor on the major substantive issues, exceeded the trial court's discretionary authority. Richardson is entitled to his statutory costs incurred before the district court. The reduction thereof is reversed.

Costs on this appeal are taxed in favor of Richardson.

AFFIRMED IN PART, REVERSED IN PART, VACATED IN PART, AND REMANDED

APPENDIX B-1

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CV 82-3826-WPG
CV 80-2589-WPG

DONALD G. RICHARDSON,
Plaintiff,
vs.

SUZUKI MOTORS COMPANY, LTD., a corporation of Japan,
SUZUKI U.S. MOTORS CORP., A California corporation,
Defendants.

SPECIAL VERDICT ON
VALIDITY AND INFRINGEMENT

[Filed Feb. 10, 1987]

We, the jury, respond to the following questions:

1. On the issue of "anticipation," does the Downs Patent, particularly in light of Figures 1 and/or 6 thereof, disclose each and every element of the Richardson Claims 1 and 9 or their equivalent?

No
(Yes or No)

If so, do the respective elements of Downs function in substantially the same way as the corresponding elements in Richardson to produce substantially the same results?

(Yes or No)

In particular, is the above true with respect to:

(a) The manners of securing the lower ends of the springs in the respective patents?

(Yes or No)

(b) The providing of a linkage generated rising rate (compare Claim 9 of Richardson with Figure 1 of Downs)?

(Yes or No)

2. On the issue of "anticipation," does the Warner Patent, particularly in light of Figure 1, disclose each and every element of the Richardson Claims 1 and 9 or their equivalent?

not unanimous
(Yes or No)

If so, do the respective elements of Warner function in substantially the same way as the corresponding elements in Richardson to produce substantially the same results?

No
(Yes or No)

3. On the issue of "anticipation," do the Tyrell and McLaren race cars described in Exhibits 1423 and 1424 disclose each and every element of the Richardson Claims 1 and 9 or their equivalent?

Yes
(Yes or No)

If so, do the respective elements of Tyrell and McLaren function in substantially the same way as the corresponding elements in Richardson to produce substantially the same results?

not unanimous
(Yes or No)

4. Does Claim 1 of the Richardson Patent, coupled with the specifications, adequately describe the steps that are essential to the carrying out of the claimed system? In other words, is an operable system thereby disclosed?

Yes
(Yes or No)

5. Does Claim 9 of the Richardson Patent, coupled with the specifications, adequately describe the steps that are essential to the carrying out of the claimed system? In other words, is an operable system thereby disclosed?

Yes
(Yes or No)

6. On the issue of obviousness:

(a) In 1974, would the description of a person of ordinary skill in the art here concerned:

1. Include a motorcycle mechanic without formal technical education?

Yes
(Yes or No)

2. Be limited to a person with post-high school formal technical training in mechanics or physics?

No
(Yes or No)

3. Include a person with experience in working on suspension systems for racing automobiles, but without formal technical training?

Yes
(Yes or No.)

4. Include others?

Suspension system instructors, professional riders, someone possessing above-average mechanical skills.

(b) If a shock absorber were to be used within a spring, as in Richardson, in 1974 would it have been obvious to one of ordinary skill in the art that the lower part of the spring should be on a pivot, as opposed to being held in a rigid manner as shown in Figures 1 and 6 of Downs?

Yes
(Yes or No)

(c) In 1974, would a person of ordinary skill in the art, presented with the problem of developing an improved motorcycle suspension system, and being familiar with Downs, Warner, Tyrell and McLaren, but totally unaware of Richardson's solution, be led to do what Richardson disclosed and claimed in his patent?

not unanimous
(Yes or No)

(d) Does Downs disclose (see particularly Figures 1, 6 and 2) an alignment of the linkage that would produce a rising rate throughout the permitted movement of the linkage?

No
(Yes or No)

If not, in 1974, would it have been obvious to a person of ordinary skill in the art that the Downs alignment of the linkage could be adjusted to produce a rising rate throughout the permitted movement of such linkage?

Yes
(Yes or No)

(e) In 1974, was there a "long felt need" within the motorcycle racing community for a motorcycle containing the features covered by the plaintiff's patent, particularly Claims 1 and 9?

not unanimous
(Yes or No)

(f) If so, did the Richardson invention fulfill such long felt need?

not unanimous
(Yes or No)

7. Did the plaintiff intentionally fail to bring to the attention of the Patent Office material facts that he knew relative to pertinent prior art that would have affected the decision by the Patent Office to issue his patent, and did he thereby violate his duty of candor and good faith in his dealings with the Patent Office?

not unanimous
(Yes or No)

8. Under the facts and law as you believe that you understand them, do you find Claim 9 of the Richardson Patent to be valid?

Yes
(Yes or No)

9. On the issue of infringement:

(a) Do defendant Suzuki's motorcycles of the Model M type (the larger of the two exhibits) infringe Claim 9 of the plaintiff's patent?

yes, with the rising rate
(Yes or No)

1. In particular, is the defendant's linkage equivalent to the plaintiff's, bearing in mind that the

bottom of the spring in the former is affixed to the swing arm rather than to the frame?

No
(Yes or No)

2. Does defendant's Model M produce rising rate substantially the same as the rising rate produced under the teachings of the plaintiff's patent?

Yes
(Yes or No)

(b) Do defendant Suzuki's motorcycles of the Model C type (the smaller of the two exhibits) infringe Claim 9 of the plaintiff's patent?

yes, with the rising rate
(Yes or No)

1. In particular, is the defendant's linkage equivalent to the plaintiff's, in light of the "criss-cross" of the connecting rods and the bell crank in the defendant's model, as well as the spring attachment to the swing arm, as compared with the plaintiff's Claim 9?

No
(Yes or No)

2. Does defendant's Model C produce rising rate substantially the same as the rising rate produced under the teachings of the plaintiff's patent?

Yes
(Yes or No)

10. The following should be answered only if you have found above that the defendant Suzuki did infringe the plaintiff's patent:

(a) Did the defendants' infringing motorcycles of the Model M type meet with commercial success in the market?

No
(Yes or No)

(b) If so, was such success substantially attributable to such infringement?

(Yes or No)

(c) Did the defendants' infringing motorcycles of the Model C type meet with commercial success in the market?

Yes
(Yes or No)

(d) If so, was such success substantially attributable to such infringement?

No
(Yes or No)

11. Does Claim 9 of the Richardson Patent describe the invention of a rising rate in terms of what the invention will do rather than in terms of physical arrangement?

No
(Yes or No)

DATED: February 10, 1987

AT LOS ANGELES, CALIFORNIA.

/s/ Melanie L. McCullough
Foreman of the Jury

APPENDIX B-2

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CV 82-3826-WPG
CV 80-2589-WPG

DONALD G. RICHARDSON,
Plaintiff,

vs.

SUZUKI MOTORS COMPANY, LTD., a corporation of Japan,
SUZUKI U.S. MOTORS CORP., A California corporation,
Defendants.

SPECAL VERDICT ON
TRADE SECRETS AND DAMAGES

[Filed Mar. 27, 1987]

We, the jury, respond to the following questions:
A. *Regarding Damages For Infringement.* You, as jurors, have found that the defendant Suzuki's motorcycles of the Model M and Model C types have infringed the plaintiff's patent in that they "produce rising rate substantially the same as the rising rate produced under the teachings of the plaintiff's patent." What royalty is the plaintiff entitled to recover on each infringing motorcycle? $.50¢ per motorcycle

B. *Regarding Trade Secrets.*

1. The plaintiff claims as a trade secret: "Optimized requirements and operation characteristics of motorcycle rear wheel suspension shock absorbers."

(a) Is this a valid trade secret of the plaintiff?

No
(Yes or No)

(b) If so, did the defendant misappropriate it?

(Yes or No)

(c) If so, in what manner and to what extent is the plaintiff entitled to damages for this misappropriation?

(1) Royalty of $—— on each machine utilizing such secret,

or

(2) Additional compensation for his time and effort of benefit to the defendant in amount of $——.

(d) Even if it be assumed that this claimed item does not rise to the dignity of a trade secret, did the defendant benefit from the plaintiff's knowledge and from the time and effort expended by him with respect to this item, and for which he should receive additional compensation? If so, what amount of money should the plaintiff be awarded with respect to this item? $15,000.00

2. The plaintiff claims as a trade secret: "Engineering drawings of proposed and furnished customized rear wheel suspension system for Suzuki."

(a) Is this a valid trade secret of the plaintiff?

No
(Yes or No)

(b) If so, did the defendant misappropriate it?

(Yes or No)

(c) If so, in what manner and to what extent is the plaintiff entitled to damages for this misappropriation?

(1) Royalty of $—— on each machine utilizing such secret,

or

(2) Additional compensation for his time and effort of benefit to the defendant in amount of $——.

(d) Even if it be assumed that this claimed item does not rise to the dignity of a trade secret, did the defendant benefit from the plaintiff's knowledge and from the time and effort expended by him with respect to this item, and for which he should receive additional compensation? If so, what amount of money should the plaintiff be awarded with respect to this item? $10,000.00

3. The plaintiff claims as a trade secret: "Custom prototype modification of the standard Suzuki motorcycle rear wheel suspension."

(a) Is this a valid trade secret of the plaintiff?

No
(Yes or No)

(b) If so, did the defendant misappropriate it?

(Yes or No)

(c) If so, in what manner and to what extent is the plaintiff entitled to damages for this misappropriation?

(1) Royalty of $—— on each machine utilizing such secret,

or

(2) Additional compensation for his time and effort of benefit to the defendant in amount of $——.

(d) Even if it be assumed that this claimed item does not rise to the dignity of a trade secret, did the defendant benefit from the plaintiff's knowledge and from the time and effort expended by him with respect to this item, and for which he should receive additional compensation? If so, what amount of money should the plaintiff be awarded with respect to this item? $25,000.00

4. The plaintiff claims as a trade secret: "The specific force-velocity curve necessary to obtain the advantages of a rising rate response in a Suzuki motorcycle."

(a) Is this a valid trade secret of the plaintiff?

No
(Yes or No)

(b) If so, did the defendant misappropriate it?

(Yes or No)

(c) If so, in what manner and to what extent is the plaintiff entitled to damages for this misappropriation?

(1) Royalty of $—— on each machine utilizing such secret,

or

(2) Additional compensation for his time and effort of benefit to the defendant in amount of $——.

(d) Even if it be assumed that this claimed item does not rise to the dignity of a trade secret, did the defendant benefit from the plaintiff's knowledge and from the time and effort expended by him with respect to this item, and for which he should receive additional compensation? If so, what amount of money should the plaintiff be awarded with respect to this item? $35,000.00

5. The plaintiff claims as a trade secret: "Design modifications enabling extended travel of the rear wheel beyond previous designs."

(a) Is this a valid trade secret of the plaintiff?

Yes
(Yes or No)

(b) If so, did the defendant misappropriate it?

Yes
(Yes or No)

(c) If so, in what manner and to what extent is the plaintiff entitled to damages for this misappropriation?

(1) Royalty of $4.00 on each machine utilizing such secret,

or

(2) Additional compensation for his time and effort of benefit to the defendant in amount of $——.

(d) Even if it be assumed that this claimed item does not rise to the dignity of a trade secret, did the defendant benefit from the plaintiff's knowledge and from the time and effort expended by him with respect to this item, and for which he should receive additional compensation? If so, what amount of money should the plaintiff be awarded with respect to this item? $——

6. The plaintiff claims as a trade secret: "Drawing and know-how on alternate shock absorber mounting arrangements."

(a) Is this a valid trade secret of the plaintiff?

Yes
(Yes or No)

(b) If so, did the defendant misappropriate it?

Yes
(Yes or No)

(c) If so, in what manner and to what extent is the plaintiff entitled to damages for this misappropriation?

(1) Royalty of $8.00 on each machine utilizing such secret,

or

(2) Additional compensation for his time and effort of benefit to the defendant in amount of $——.

(d) Even if it be assumed that this claimed item does not rise to the dignity of a trade secret, did the defendant benefit from the plaintiff's knowledge and from the time and effort expended by him with respect to this item, and for which he should receive additional compensation? If so, what amount of money should the plaintiff be awarded with respect to this item? $——.

7. The plaintiff claims as a trade secret: "Information of fabrication materials, and optimum bearing types."

(a) Is this a valid trade secret of the plaintiff?

No
(Yes or No)

(b) If so, did the defendant misappropriate it?

(Yes or No)

(c) If so, in what manner and to what extent is the plaintiff entitled to damages for this misappropriation?

(1) Royalty of $———— on each machine utilizing such secret,

or

(2) Additional compensation for his time and effort of benefit to the defendant in amount of $——.

(d) Even if it be assumed that this claimed item does not rise to the dignity of a trade secret, did the defendant benefit from the plaintiff's knowledge and from the time and effort expended by him with respect to this item, and for which he should receive additional com-

pensation? If so, what amount of money should the plaintiff be awarded with respect to this item? $———.

8. The plaintiff claims as a trade secret: "Criteria for testing and tuning systems during tests for accurate evaluation of performance."

(a) Is this a valid trade secret of the plaintiff?

No
(Yes or No)

(b) If so, did the defendant misappropriate it?
(Yes or No)

(c) If so, in what manner and to what extent is the plaintiff entitled to damages for this misappropriation?

(1) Royalty of $———— on each machine utilizing such secret,

or

(2) Additional compensation for his time and effort of benefit to the defendant in amount of $———.

(d) Even if it be assumed that this claimed item does not rise to the dignity of a trade secret, did the defendant benefit from the plaintiff's knowledge and from the time and effort expended by him with respect to this item, and for which he should receive additional compensation? If so, what amount of money should the plaintiff be awarded with respect to this item? $———.

9. The plaintiff claims as a trade secret: "Bellcrank designs and design criteria."

(a) Is this a valid trade secret of the plaintiff?

No
(Yes or No)

(b) If so, did the defendant misappropriate it?

(Yes or No)

(c) If so, in what manner and to what extent is the plaintiff entitled to damages for this misappropriation?

(1) Royalty of $———— on each machine utilizing such secret,

or

(2) Additional compensation for his time and effort of benefit to the defendant in amount of $———.

(d) Even if it be assumed that this claimed item does not rise to the dignity of a trade secret, did the defendant benefit from the plaintiff's knowledge and from the time and effort expended by him with respect to this item, and for which he should receive additional compensation? If so, what amount of money should the plaintiff be awarded with respect to this item? $15,000.00

10. The plaintiff claims as a trade secret: "Interdependent interrelationships of the several adjustments in the system and their relationship to desired performance on the track."

(a) Is this a valid trade secret of the plaintiff?

No
(Yes or No)

(b) If so, did the defendant misappropriate it?

(Yes or No)

(c) If so, in what manner and to what extent is the plaintiff entitled to damages for this misappropriation?

(1) Royalty of $———— on each machine utilizing such secret,

or

(2) Additional compensation for his time and effort of benefit to the defendant in amount of $———.

(d) Even if it be assumed that this claimed item does not rise to the dignity of a trade secret, did the de-

fendant benefit from the plaintiff's knowledge and from the time and effort expended by him with respect to this item, and for which he should receive additional compensation? If so, what amount of money should the plaintiff be awarded with respect to this item? $4,000.00.

11. The plaintiff claims as a trade secret: "Straight line frame."

(a) Is this a valid trade secret of the plaintiff?

No
(Yes or No)

(b) If so, did the defendant misappropriate it?

(Yes or No)

(c) If so, in what manner and to what extent is the plaintiff entitled to damages for this misappropriation?

(1) Royalty of $———— on each machine utilizing such secret,

or

(2) Additional compensation for his time and effort of benefit to the defendant in amount of $———.

(d) Even if it be assumed that this claimed item does not rise to the dignity of a trade secret, did the defendant benefit from the plaintiff's knowledge and from the time and effort expended by him with respect to this item, and for which he should receive additional compensation? If so, what amount of money should the plaintiff be awarded with respect to this item? $———.

C. *Regarding Alleged Fraud.*

1. Did the defendant fraudulently induce the plaintiff to reveal his trade secrets by concealing an intention not to exercise its option to take a license after the decision not to exercise the option had been made?

Yes
(Yes or No)

2. Did the defendant fraudulently conceal from the plaintiff, during the option period, the fact that it was developing its "full floater" motorcycle with the intention of declining to exercise the option and then nonetheless to utilize the plaintiff's trade secrets in the full floater?

Yes
(Yes or No)

3. Did Suzuki and/or Mr. Tamake file the Tamake patent application in the knowledge that the invention asserted therein (the spring/swing arm connection) was first disclosed to them by Richardson?

Yes
(Yes or No)

If your answer to 1, 2 or 3 is yes, what are the plaintiff's damages, if any, over and above those found to have been sustained under Paragraph B hereof?

$20,000.00

D. *Regarding The Defendant's Alleged Contract Violation.* Did the defendant violate its duty of good faith and fair dealing in its relationships with Richardson?

No
(Yes or No)

1. If so, what are the plaintiff's damages, if any, over and above those found to have been sustained under Paragraph B hereof?

$

E. *Regarding Punitive Damages.* Should the defendant be obliged to pay to the plaintiff punitive damages as punishment for the defendant's malicious oppression, fraud or bad faith actions in its dealings with the plaintiff?

Yes
(Yes or No)

If so, what should be the amount of punitive damages so payable? $100,000.00

F. *Regarding The Defendant's Cross Complaint.*

1. Was the plaintiff, Richardson, aware of the contents of the Downs patent at the time the option agreement was executed in about 1978; was he aware that if Suzuki became familiar with the Downs patent it might not enter into such agreement; and did he conceal from Suzuki his awareness of the Downs patent in order not to create such a risk?

No
(Yes or No)

If so, what are the damages sustained by Suzuki as a result of such fraud by Richardson?

$ _____

2. Did Richardson's delay in delivering the 1979 prototype to Suzuki constitute a breach of his contract with Suzuki?

No
(Yes or No)

If so, what is the amount of Suzuki's damages, if any, because of such breach, for which Richardson is liable?

$ _____

DATED: March 27, 1987

At Los Angeles, California.

/s/ Melanie L. McCullough
Foreman of the Jury

* * * *

H. *Regarding Assignment of Patents.*

1. Do you find that the Plaintiff, Richardson, is the real inventor of the invention shown in the Tamaki patents and patent applications?

Yes _____ No _____

2. If so, do you find the facts to be such that it would be fair and equitable that defendants assign said patents and applications to Plaintiff?

Yes _____ No _____

DATED: March 27, 1987.

At Los Angeles, California.

/s/ Melanie L. McCullough
Foreman of the Jury

APPENDIX C

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

HONORABLE WILLIAM P. GRAY, JUDGE PRESIDING

No. CV 80-2589-WPG

SUZUKI MOTOR COMPANY, LTD., ETC., *et al.*,
Plaintiffs,

VS.

DONALD G. RICHARDSON,
Defendant.

No. CV 82-3826-WPG

DONALD G. RICHARDSON,
Plaintiff,

VS.

SUZUKI MOTORS COMPANY, LTD., ETC., *et al.*,
Defendants.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Los Angeles, California

Monday, May 11, 1987

[6073]

Los Angeles, California; Monday, May 11, 1987;

11:00 A.M.

THE CLERK: Item No. 8: Civil 80-2589 and Civil 82-3826, Suzuki Motor Company vs. Donald Richardson.

Counsel, your appearances.

MR. ROCKWELL: Good morning, Richard Rockwell for Suzuki.

MS. OSINSKI: Halena Osinski.

MS. WAGNER-MIDDLEBROOK: Theresa Wagner-Middlebrook and Robert Driscoll for the plaintiff.

THE COURT: While I was in Boston last month I spent a lot of time thinking about this case. Let me make a few observations.

In the first place, I have great respect for the jury system, mostly in a criminal case, but this was a civil case and I have great respect for the jury system and particularly the jury that tried this long-enduring case. They were attentive. They were dedicated. They were prompt. They handled themselves ideally.

The issues were difficult. I was convinced at the outset that the issues would prove to be too hard for the jury adequately to understand but they did their best and they did come up with inconsistent verdicts, and I am convinced even more than I was at the outset that they didn't thoroughly understand the issues that they were called upon to decide.

I disagree with the jury verdict in many respects [6074] so that presents a problem to the Court. First, I must honor, I must do appropriate honor to the jury verdict. I am not setting it aside just because I disagree.

On the other hand, I am obliged to set aside the verdict if it is clearly wrong or if I feel that it is probably wrong and another jury should have an opportunity to consider the matter. I have done a lot of agonizing over that.

My own view with respect to this case necessarily therefore is pertinent. The first of them is I believe the patent of Mr. Richardson is probably valid. I say "probably," underlining three times. I am not sure. I can well understand how an intelligent, dedicated lawyer or judge or other person would come to a contrary conclusion.

Downs did have all the elements of the Richardson patent. Here goes a litany: that the swing arm, the connecting rod, the bell crank and the spring, they were all connected virtually in the same manner. Oh, it is true that Downs didn't have the pivot but that was before the day of the shock absorber and it is obvious if you are going to use a shock absorber you want to have a pivot instead of a firmly grasped lower end of the spring.

But now I am looking at paragraph 6(c) of the first verdict which is a question that I particularly wanted to ask the jury.

[6075] In 1974 would a person of ordinary skill in the art presented with the problem of developing an improved motorcycle suspension system, and being familiar with Downs, Warner, Tyrrell and McLaren but totally unaware of Richardson's solution, be led to do what Richardson disclosed and claimed in its patent?

The jury could not answer that. That is beside the point. That is my responsibility. I concluded that such a person would not—probably would not, and on that basis I was obliged to conclude that the patent was valid.

Now, the second proposition is, really, the jury found the patent not to be infringed. Their first verdict 9(a) or 9(a)(1), "Is the defendant's linkage equivalent to the plaintiff's, bearing in mind that the bottom of the spring in the former is affixed to the swing arm rather than to the frame" They said no. Now, that makes a distinction.

In 9(b)(1) they said, I asked them: "Is the defendant's linkage equivalent to the plaintiff's, in light of a crisscross of the connecting rods and the bell crank in the defendant's model as well as the spring attachment

to the spring arm, as compared with plaintiff's claim 9?" and they said no, that too is an addition.

I believe I would have found the differences inconsequential, as I think I said before, but that a [6076] reasonable jury could so conclude as this jury did. And the plaintiffs were the one that wanted a jury trial, and I am going to adhere to the finding of the jury.

Therefore, basically, the patent was not infringed. If the only infringement was in the fact that they both used a rising rate, as the jury said, that simply is not protectable. The rising rate was not new, and in Mr. Richardson's hand. The rising rate had been known and used, and therefore I am disposed to set aside the finding of infringement by the jury and set aside the 50 cents a motorcycle and grant a new trial on the issue of infringement.

Next, with respect—this is all subject to argument. These are just my initial views.

Next, with respect to trade secret, other than No. 5 and 6, I am disposed to uphold the jury verdict. There is no doubt but that Mr. Richardson made a contribution to Suzuki and those various numbers that were awarded, which come to about $105,000 I think in total, I am disposed to uphold.

Next, with respect to trade secret No. 5, which involves extension of the travel of the rear wheel, I simply cannot conclude that that is a trade secret. It was an attempt to help Suzuki adapt the Richardson concept to the Suzuki machine and they all spent time and effort seeking [6077] a solution in anticipation of Suzuki taking a license under the patent.

I am not sure of the extent to which Richardson extended the travel. He was experimenting and Suzuki was experimenting and it involved an adjustment of the relationship among these parts. But it is certainly not established that Suzuki slavishly took what Richardson had shown them, and I am assuming that Richardson made a contribution and should be paid, but Suzuki had

a right to make a motorcycle in the best linkage arrangement it could find and it was not prevented from doing so because Richardson helped.

As I said before, like in these other so-called trade secrets which were not found to be trade secrets, Suzuki should pay for Richardson's help, but [what] he contributed was simply not a trade secret. So I am disposed to set aside that royalty of $12 per motorcycle and give a new trial on what compensation Richardson should receive for his contribution with respect to alleged trade secret No. 5, along the same lines that the jury found he was entitled to compensation with respect to those others.

With respect to trade secret No. 6, my conclusion is the same. An alternate shock-absorbing mounting, I cannot conclude that a reasonable jury could find that to be a trade secret. That mounting had been [6078] done before. The fact that the spring and the shock absorber goes down through the swing arm had been done previously, done by Suzuki in 1973, as shown by Exhibit D in the defendant's brief.

The plaintiff did make all sorts of suggestions but there was no proprietary interest in what he was doing. He was experimenting, too, just as Suzuki was experimenting. As I said before, the experimentations were for the purpose of adapting Suzuki's machine to Richardson's concepts in order that Suzuki might take a license.

I don't know what the origins of the picture in that notebook are, and I am not sure the jury did, either. In any event, the jury's finding was ambivalent. On the one hand, they concluded that the defendant was guilty of fraudulent concealment and withholding from the patent office the fact that Richardson was the inventor of the full floater.

On the other hand, they found Richardson was not the inventor of the full floater, so I am disposed to set aside that royalty of $4 a machine and give a new trial on that issue as well.

Every time I mention "new trial," I get these shudders, as I am sure counsel do, but I don't know what else to do about it.

With respect to fraud, Suzuki is accused of [6079] having concealed an intent—on page 12, "The defendant fraudulently induced the plaintiff to reveal his trade secrets by concealing an intent not to exercise its option —after a decision not to exercise the option had been made."

I just cannot find any substantial evidence of fraud in that respect. Suzuki was concerned as soon as they learned of the Downs patent. They suspected that and ultimately concluded that the Downs patent anticipated Richardson.

I can well understand how they did that. So far as I can see, as soon as they made their determination they told Richardson about it. They were concerned about obligations to Richardson. I cannot find any basis to conclude that there was fraud, particularly since the jury found that there was not any breach of the covenant of good faith and fair dealing in the second verdict on page 13.

The next alleged fraud is did the defendant fraudulently conceal from the plaintiff during the option period the fact that it was developing its full floater motorcycle with the intention of declining to exercise its option and then nonetheless to utilize the plaintiff's trade secret in the full floater.

I can't find anything there. They had a right to do their own experimentation, and once they determined not [6080] to exercise the option I can't find anything that they used that Richardson gave them after that determination.

Then the third was the Tamake invention. Did they file a Tamake patent application with the knowledge that the invention was first disclosed to them by Richardson? The jury said yes, but they also found that Richardson was not the inventor of the Tamake patent,

so I am disposed to set aside the fraud conclusion and allow a new trial there, too.

I do that because I assume that there will be an appeal and the plaintiffs might just as well appeal the fraud and the punitive damages finding as well because I don't find any basis for punitive damages.

All right. I assume the plaintiffs are in a real state of shock but I will be glad to hear from you. You don't know the uphill battle that you have.

* * * *

[ARGUMENT BY COUNSEL]

* * * *

[6117] Well, doing the best I can, I find the patent valid. Contrary to the thought I expressed when I came in here I am going to sustain the jury verdict on infringement, for whatever it is worth. The jury found infringement but they found—from a part of the linkage. They found no infringement in those particular and I think critical respects, but they did find infringement, and as far as I can tell the infringement was limited to the fact that there was a rising rate. But for whatever it is worth, I am going to find the patent infringed by the defendant.

I am going to stand my ground on granting a new trial on the so-called trade secrets Nos. 5 and 6. The new trial would be granted on the whole issue, however, of trade secret.

I am not going to limit the new trial to that. I am not going to limit the new trial to the compensation of Richardson. The plaintiffs can show that there were trade [6118] secrets in the new trial if they can.

Inasmuch as there undoubtedly will be an appeal, I am going to knock out the finding with respect to fraud and grant a new trial on that. And with respect to punitive damages, I will grant a new trial on that.

The defendant will prepare an appropriate order on what I have said.

* * * *

APPENDIX D

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CV 82-3826-WPG
CV 80-2589-WPG

DONALD G. RICHARDSON,
Plaintiff,

vs.

SUZUKI MOTORS COMPANY, LTD., a corporation of Japan, SUZUKI U.S. MOTORS CORP., a California corporation,
Defendants.

ORDER RE POST-TRIAL MOTIONS

Date: May 11, 1987

Time: 10:00 A.M.

Courtroom of The Hon. William P. Gray

[Filed May 28, 1987]

This Court, having considered the Post-Trial Motions of Plaintiff DONALD G. RICHARDSON and Defendants SUZUKI MOTOR CO., LTD. and U.S. SUZUKI MOTOR CORPORATION, and having considered the papers filed in support and in opposition thereto, and having heard oral argument, and having considered the papers and pleadings on file herein, and the evidence submitted by all parties, and due deliberation having been made thereon;

IT IS HEREBY ADJUDGED, DECREED, AND ORDERED as follows:

With Regard to Plaintiff's Post-Trial Motions

1. Plaintiff's Post-Trial Motion I for Judgment Notwithstanding the Verdict that Plaintiff is the owner of Claims 1 through 8 of the Tamaki patent, compelling transfer and assignment of the Tamaki patent rights and directing issuance of new patent certificates, and for attorney's fees and costs is DENIED.

2. Plaintiff's Post-Trial Motion II for an award of increased damages under 35 USC 284, for attorney's fees under 35 USC 285, and for prejudgment interest is DENIED.

3. Plaintiff's Post-Trial Motion III for an award of increased damages under California Civil Code Section 3426, for attorney's fees under California Civil Code Section 3426, and for prejudgment interest is DENIED.

4. Plaintiff's Post-Trial Motion IV for a New Trial on the issue of patent infringement damages under FRCP 59 and 35 USC 284 is DENIED and the jury verdict that Defendants' motorcycles of the M and C type do not have a linkage equivalent to Plaintiff's linkage and that infringement is limited to "rising rate" is SUSTAINED.

5. Plaintiff's Post-Trial Motion V for entry of a permanent injunction against Defendants is DENIED.

6. Plaintiff's Post-Trial Motion VI for an order of reference to a special master to determine damages under FRCP 53 is DENIED without prejudice.

7. Plaintiff's Post-Trial Motion VII for Judgment Notwithstanding the Verdict with respect to infringement in that the jury verdict sections 9(a)(1) and 9(b)(1) entered on April 9, 1987, should be amended or, in the alternative, that they should be deleted in their entirety is DENIED.

B. Plaintiff's Post-Trial Motion VIII for Judgment Notwithstanding the Verdict and, in the alternative, for

a New Trial on the issues of validity and infringement filed by Plaintiff as a protective measure is DENIED.

With Regard to Defendants' Post-Trial Motions

1. Defendants' Post-Trial Motion for Judgment Notwithstanding the Verdict regarding trade secrets, damages, fraud, punitive damages, and the dismissal of Defendant U.S. SUZUKI MOTOR CORPORATION as to all counts is DENIED.

Defendants' Motion for a New Trial regarding trade secrets 5 and 6 and damages and for fraud and punitive damages is GRANTED and the jury verdict sections B5(a), B5(b), B5(c), B6(a), B6(b), B6(c), C1, C2, C3 and E entered on March 31, 1987, are set aside.

2. Defendants' Post-Trial Motion for Judgment Notwithstanding the Verdict and for a New Trial regarding patent validity is DENIED.

3. Defendants' Post-Trial Motion for Judgment Notwithstanding the Verdict and for a New Trial regarding infringement and damages is DENIED and the jury verdict that Defendants' motorcycles of the M and C type do not have a linkage equivalent to Plaintiff's linkage and that infringement is limited to "rising rate" is SUSTAINED.

Further Orders

1. Defendants are ordered not to dispose of any records that are in any manner pertinent to sales of motorcycles and profit earned from motorcycles without further Order of the Court.

2. The hearing on the Bill of Costs previously set for hearing on May 11, 1987, is continued to June 22, 1987, at 10:00 A.M.

Dated at Los Angeles, California, on 5/28, 1987.

/s/ William P. Gray
U.S. District Court Judge

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Miscellaneous Docket No. 171

DONALD G. RICHARDSON,
Petitioner,

v.

SUZUKI MOTORS COMPANY, LTD., and
SUZUKI U.S. MOTORS CORPORATION,
Respondents.

ON PETITION FOR PERMISSION TO APPEAL

Miscellaneous Docket No. 175

IN RE DONALD G. RICHARDSON,
Petitioner,

ON PETITION FOR WRIT OF MANDAMUS

Miscellaneous Docket No. 180
SUZUKI MOTORS COMPANY, LTD., and
SUZUKI U.S. MOTORS CORPORATION,
Petitioners,

v.

DONALD G. RICHARDSON,
Respondent.

ON PETITION FOR PERMISSION TO APPEAL

Before DAVIS, NIES and NEWMAN, *Circuit Judges*

ORDER

Donald G. Richardson petitions for permission to appeal from the May 29, 1987 order, amended for certification on July 13, 1987, of the United States District Court for the Central District of California.* Suzuki Motors Company, Ltd. and Suzuki U.S. Motors Corporation (Suzuki) petition for permission to appeal from the same order. Richardson also petitions for writ of mandamus.

The parties have been involved in multi-faceted litigation for over eight years. The forty-seven day trial was bifurcated with validity and infringement tried in the first stage and trade secrets, fraud and damages tried in the second stage. After the trade secrets trial, the district court set aside the jury verdict on two of the eleven trade secret items and granted Suzuki's motion for a new trial on the whole issue. The district court also set aside the jury verdict on fraud and damages.

Both parties requested certification for immediate interlocutory appeal of the court's order. On July 13, 1987, the district court stated:

> With respect to the remaining issues, I set aside the verdicts of the jury and ordered a new trial. Both sides desire to appeal from these orders in the hope of possibly avoiding the need for an expensive and tedious new trial. I am in full sympathy with this desire and believe that, in any event, the parties and this court would be greatly benefited by whatever guidance your honorable court may be disposed to provide in this very troublesome matter. . . . It is

---

* Richardson filed two petitions for permission to appeal; the first before the district court certified the order pursuant to 28 U.S.C. § 1292(b), (c). That petition is moot.

ordered that the order entered May 29, 1987 herein is hereby amended to include the following:

The issues here certified for appeal are as follows:

1. Were the plaintiff's asserted trade secrets Nos. 5 and 6:

(a) Actually valid propriety trade secrets, as the jury found and awarded very substantial royalties; or

(b) Did the plaintiff's contributions in these respects represent no more than the services of a skilled mechanic, which readily could have been duplicated by the defendant, and which entitled the plaintiff only to quantum meruit compensation, as the court believes; or

(c) Were the plaintiff's contributions no more than those contemplated under the option agreement and paid for by the defendant, as the defendant contends?

2. Should the court have entered a judgment notwithstanding the verdict rather than ordering a new trial on the three issues of fraud in which the jury found for the plaintiff, namely:

(a) That the defendant fraudulently induced the plaintiff to reveal his trade secrets by concealing an intent not to exercise its option after a decision not to exercise the option had been made.

(b) That the defendant fraudulently concealed from the plaintiff during the option period the fact that it was developing its new motorcycle with the intention of declining to exercise its option and nonetheless to utilize the plaintiff's "trade secrets" in its new motorcycle.

(c) That the defendant filed the "Tamake" patent application with the knowledge that the invention was first disclosed to the defendant by the plaintiff.

3. Should the court have entered a judgment notwithstanding the verdict rather thar ordering a new trial on the issue of punitive damages?

This order involves a controlling question of law as to which there is substantial ground for difference of opinion, and an immediate appeal from this order may materially advance the ultimate termination of this litigation.

July 13, 1987 Order at 1-3. The court agrees that the order meets the criteria for interlocutory appeal and will grant the petition for permission to appeal. Moreover, another part of the case was certified under Rule 54(b) and is now on appeal to this court; it is appropriate to have more of the case, as certified by the trial judge, joined with this appeal.

In view of the court's granting the petition for permission to appeal, the court finds Richardson's mandamus petition, encompassing the same issues, moot.

Accordingly,

IT IS ORDERED THAT:

(1) Richardson's and Suzuki's petitions for permission to appeal are granted.

(2) Richardson's petition for writ of mandamus is denied.

FOR THE COURT

October 22, 1987
Date

/s/ Oscar H. Davis
OSCAR H. DAVIS
Circuit Judge

NIES, *Circuit Judge*, dissenting.

I dissent on the ground that the questions presented are not "controlling questions of law" within the meaning of the statute, 28 U.S.C. § 1292(b), (c).

APPENDIX F

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

87-1497, -1498, -1502,
88-1083, -1084

DONALD G. RICHARDSON,
Plaintiff/Appellant,

v.

SUZUKI MOTOR CO., LTD. and
U.S. SUZUKI MOTOR CORPORATION,
Defendants/Cross-Appellants,

KAWASAKI HEAVY INDUST. LTD., KAWASAKI MOTOR CORP.,
YAMAHA MOTOR CO., LTD., YAMAHA MOTOR CORP., U.S.A.,
KAYABA INDUSTRY CO., LTD. and KAYABA INDUSTRY CO.,
Defendants.

JUDGMENT

On Appeal from the U.S. District Court
for the Central District of California
in Case No(s). CV 80-2589-WPG and CV 82-3826-WPG

This CAUSE having been heard and considered, it is ORDERED AND ADJUDGED: AFFIRMED IN PART,

REVERSED IN PART, VACATED IN PART and REMANDED

ENTERED BY ORDER OF THE COURT

/s/ Francis X. Gindhart
FRANCIS X. GINDHART
Clerk

Dated Feb. 16, 1989

Issued as a Mandate: April 10, 1989

Costs: Against Cross-Appellants

Printing	$2,811.48
Total	$2,811.48

APPENDIX G

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

87-1497, -1498, -1502
88-1083, -1084

DONALD G. RICHARDSON,
Plaintiff-Appellant,

v.

SUZUKI MOTOR CO., LTD. and
U.S. SUZUKI MOTOR CORPORATION,
Defendants/Cross-Appellants,

KAWASAKI HEAVY INDUST. LTD., KAWASAKI MOTOR CORP.,
YAMAHA MOTOR CO., LTD., YAMAHA MOTOR CORP., U.S.A.,
KAYABA INDUSTRY CO., LTD. and KAYABA INDUSTRY CO.,
Defendants.

ORDER

Before SMITH, Circuit Judge, SKELTON, Senior Circuit Judge, and NEWMAN, Circuit Judge.

A petition for rehearing having been filed in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, denied.

The suggestion for rehearing in banc is under consideration.

The mandate will issue on April 5, 1989.

FOR THE COURT,

/s/ Francis X. Gindhart
FRANCIS X. GINDHART
Clerk

Dated: March 29, 1989

cc: THERESA A. W. MIDDLEBROOK
JOHN A. FOGARTY, JR.

APPENDIX H

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

87-1497, -1498, -1502
88-1083, -1084

DONALD G. RICHARDSON,
Plaintiff-Appellant,

v.

SUZUKI MOTOR CO., LTD. and
U.S. SUZUKI MOTOR CORPORATION,
Defendants/Cross-Appellants,

KAWASAKI HEAVY INDUST. LTD., KAWASAKI MOTOR CORP.,
YAMAHA MOTOR CO., LTD., YAMAHA MOTOR CORP., U.S.A.,
KAYABA INDUSTRY CO., LTD. and KAYABA INDUSTRY CO.,
Defendants.

AMENDED ORDER

A suggestion for rehearing in banc having been filed in this case, and a response thereto having been invited by the court filed,

UPON CONSIDERATION THEREOF, it is

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, declined.

Judge Nies would rehear the case in banc.

FOR THE COURT,

/s/ Francis X. Gindhart
FRANCIS X. GINDHART
Clerk

Dated: May 4, 1989

cc: THERESA A. W. MIDDLEBROOK
JOHN A. FOGARTY, JR.